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DUN'S REVIEW

XXX of a series of Century old cities - Milwaukee

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This Month's Cover

MILWAUKEE

The view reproduced on the front cover is an old print of Milwaukee, Wisconsin, in 1853, looking east toward Lake Michigan. Through the middle distance runs the Milwaukee River; the tall steeple in the background somewhat to the left is that of St. John's Roman Catholic Cathedral on Jackson Street, built only a year or two before. . . . This print is reproduced through the courtesy of The Milwaukee Journal. *. . . The largest city of Wisconsin is on the west shore of Lake Michigan, 100 miles north of its southern end and 80 miles north of Chicago. A bay six miles long from cape to cape and three miles broad stretches in front of the city. Originally settled by Indian tribes, this site at the confluence of three rivers, the Milwaukee, the Menomonee, and the Kinnikinnic, was visited from the latter part of the seventeenth century by missionaries, explorers, and fur-traders. Solomon Juneau began the first permanent white settlement here in 1818, and some years later two other villages were planted in the vicinity, known respectively as Kilbourntown and Walker's Point. Called Juneautown for a while, the settlement on the east side of Milwaukee River was in 1837 incorporated as the village of Milwaukee; several years later it annexed the adjoining towns. It first appears in the United States census in 1840 with a population of 1,712. German immigration began at about this time, and until recently the city's population consisted largely of this nationality. . . . An excellent harbor helps make Milwaukee (aerial view above) an important trading center for coal, flour, and grain. Its industries include slaughtering and meat-packing, brewing, machinery, leather products, knit goods, and confectionery. In 1933 Milwaukee's population was estimated at 599,100.*

DUN'S REVIEW

for

JULY, 1939

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WILLARD L. THORP

Editor of DUN'S REVIEW

¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 48. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Charles Phelps Cushing.

EWING GALLOWAY

THE OBLIGATION AND OPPORTUNITY OF BUSINESS LEADERSHIP

R. W. JOHNSON
Chairman, Johnson & Johnson

Proceeding on the premise that the future of private enterprise rests solely on public support, a corporation executive who has had experience in politics as well here suggests a platform for business and discusses ways of setting it before the public. This is one of a series of articles on important topics, presenting the opinions of men whose backgrounds have created decided, and often conflicting, convictions.

AMERICA'S industrial problem is involved with many social complexities.

Let us take as one premise that American business men are among the most efficient in the world, and as another that our politicians are efficient in their field, but many of them are not good business men. Intimate contact, however, with a large number of politicians leads me to believe that as a group they know more about business than business men as a group know about politics.

The problem that confronts us, then, is how to bring about a better understanding on both sides.

We business men know *our* story. About each of our respective enterprises we know certain facts that, we're sure, the politicians—and the public—ought to know. For example, the business with which I work has been in existence for more than a half-century; and in all that time, so far as I know, it never has cost government, directly, one cent. Yet in the last ten years the corporation and the individuals who work with it have paid in taxes—Federal, State, and local—approximately $8,000,000. In the decade the corporation has paid in wages approximately $50,000,000. In the decade it has improved, constantly, the quality of its products, and it has reduced the cost of those products to the public.

One would think that such records as this—and there must be many others as impressive—would insure the popularity of business leadership. They haven't. On the contrary, many people—and their opinions, we must remember, find expression in the opinions and in the actions of the politicians—think of business as Public Enemy No. 1.

From time to time, business men reveal such figures

as I have cited; and I suppose they often wonder why the public is not impressed.

It seems to me that there must be some fairly sound reasons why the people, while willing to acknowledge modern industry's efficiency, are nevertheless unfriendly to business. For this unfriendliness, I believe, industrial management is at least partially responsible.

Generally, industrial leaders have thought too little about the public's attitude, an attitude that has been forming throughout the past quarter-century. Further, many of the statements issued by business executives to defend industry fail to consider at all certain basic weaknesses in modern industrial operations.

For example, there is the type of industry that pays good wage rates, but fails to provide employment throughout the year and thus detracts from the workers' sense of security. Many managements take the view that continuous employment is impossible. They may be manufacturing seasonal products. They may sell to markets afflicted with severe ups and downs that result from changes in styles or changes in buying habits. No matter what the reasons, however, the public believes, and rightly so, that it is a part of the job of management to insure full-time employment, decent wages, and short working hours.

Further, a part of industry's unpopularity with the man on the street arises from the mechanical and repetitive operations that modern manufacturing methods impose. Quite properly the workman, an employee in a corporation in which he is so small a cog, feels that, even though his wages are good, life doesn't offer much interest. He has lost his sense of craftsmanship; and work is no longer fun. Having always enjoyed work, I can imagine nothing more serious than facing a lifetime of workaday monotony.

If industry hopes to win a fuller measure of public good-will, ways must be found to break the monotony, or to relieve it. Within reasonable limits, it is possible to shift workers from one kind of work to another; and interesting possibilities lie in the direction of educating the operators into an understanding of industry's problems of production, this to the end that the production line may become a living thing to whose life their work directly contributes.

Further, through intelligent contact with the people who work in industry, it is possible to demonstrate that management is interested in their welfare, their happiness, and their security.

Workers can be brought to understand how and why economic changes compel changes in business policy. In the depression of 1932 a great many enterprises did what they could to maintain continuous employment. In our own business no persons lost their jobs because of adverse economic conditions—conditions that extended from 1931 to 1936.

Today the situation is quite different. Private business lacks the surplus to endure another protracted depression. Moreover, it has been the policy of government to inhibit the development of corporate reserves. Yet, despite certain social habits that have been developing for several years, personal thrift and business thrift still are virtues. To save for a rainy day is still good business sense. The workers and the public must be enabled to understand that if private enterprise is to be expected to weather depressions and, in good times and bad, provide employment, private enterprise must be permitted to maintain reserves and, in good times, strengthen them.

Similarly, the public must be enabled to understand, as we business men, ourselves, all ought to understand, that unemployment makes for relief, that relief makes for an unbalanced budget, and that an unbalanced governmental budget makes for higher taxation, then inflation, and then confiscation. Until we do our own utmost to break that cycle, there's little point in our damning the Administration.

I have said that most business men know too little about politics. We all ought to know more. Some time ago I served for about six years as councilman and mayor of New Brunswick. I recommend public office as a valuable experience for business executives—an experience for which there is no short-cut substitute. Public office may seem a heavy responsibility for a busy executive to assume; but if we are to learn about politics as we hope the politicians will learn about business, we cannot evade political participation.

I know the reasons why we have allowed this part of our social responsibility to go by default; but let me remind my fellow business men that, if they are paying to government fifty or seventy of ninety cents out of each profit dollar, it would seem worthwhile for them to spend some of their time actually making government better.

We have gone a long way down the road toward socialism. Our tax structure as it exists today has inhibited and limited individual enterprise. Let us all understand that this untoward development is but a political expression of the gradual hardening of a public opinion adverse to business.

There is much about business that we cannot endorse. There are some characteristics of human nature in general that we find less than wholly satisfactory. But let us be sure that we know where we are going. I fear the prospect of one great employer in the United States—the government. I would rather have some competition for my services.

Even though I am an employer, I can imagine no development of such importance as a condition in which every man might find bidders for his labor. More jobs than people to fill them, in other words a shortage of labor, would bring about the re-creation of an independent America. It would create markets for business men and farmers. It would accomplish more than could anything else toward curbing the influence of the demagogue and the radical.

Such a condition can be created by shortening hours of labor, increasing pay rates—and materially reducing taxes on profits, personal incomes, and inheritances.

About shorter hours and higher pay rates, business men—at least, some business men—must change their minds. They must leave far behind them the kind of thinking that, with the inauguration of the NRA, led certain industries and certain industrialists to go down to Washington and plunk for the longest hours and the lowest wages they could trade out of General Johnson.

In general, I am with those who oppose the extension of Federal authority; but I see no other way to protect the decent employer against the chiseler.

I have mentioned weaknesses and shortcomings. I have cited internal conditions that, before industry can hope to win the public's full confidence, industry must correct.

I am mindful, also, of certain widespread misconceptions. These, too, must be met—such misconceptions as the one that, for purposes of exploitation, industry seeks low-wage areas. Here is a fallacy that education can remove. The fact is, of course, that industry seeks not low-wage areas but markets. In the last ten years, most of the industrial development in the United States has held close to the metropolitan centers.

I have recommended that to learn politics business men participate in public life. Not by reading the newspapers, not even by casual personal contact, can we learn how an office-holding mind works; and not until we learn how such a mind works can we hope to enlighten it.

In the political textbook, Lesson No. 1 is this: Follow the crowd. In his years of practice, the politician learns how to gage public sentiment and how to anticipate in what direction the crowd's mind will move next.

In that fact, I believe, lies the key to our solution. If we are to improve business relationships, particularly the relationship between business and government, if we are to create an economic and legislative atmosphere in which private enterprise may fulfill its economic task, we must state our case, not to the politicians, but to the voters, to our own neighbors.

Recovery begins at home. I have met few men who know the whole United States intimately; but most of us know and can understand our own communities.

Business men throughout the nation would do well to take their communities into their confidence. I have tried it, and I know that to lay your thoughts before an assemblage of citizens is good for your soul.

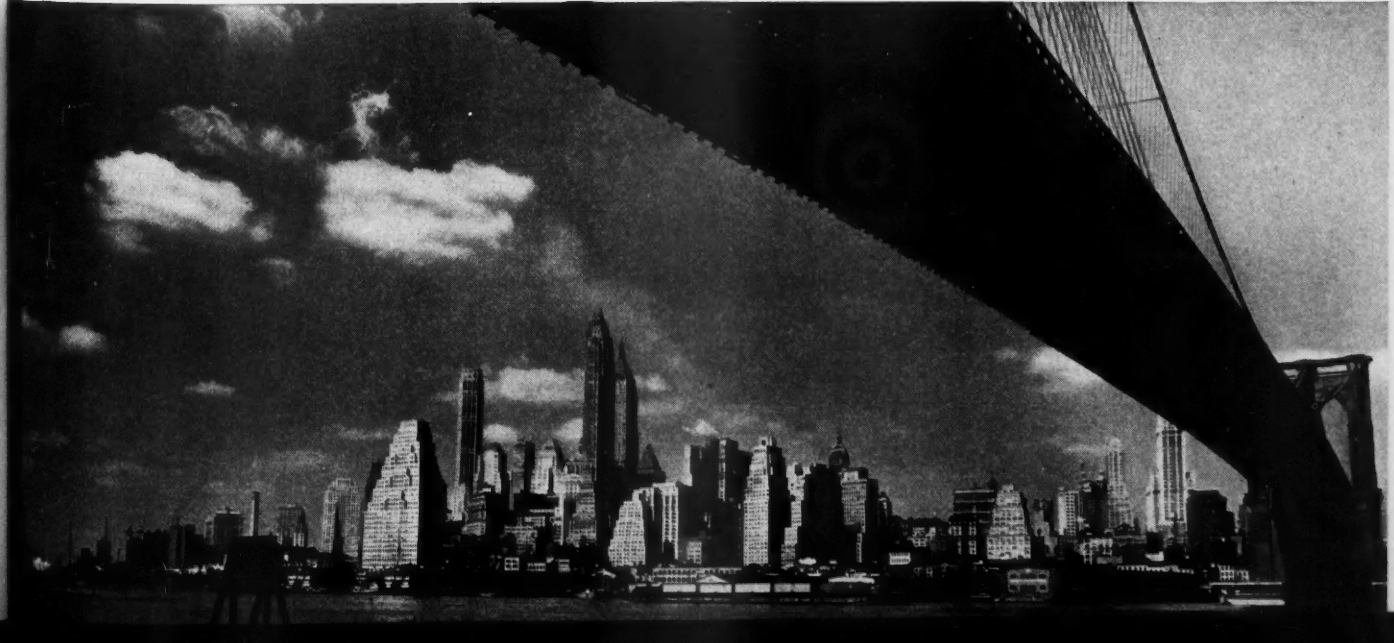
The future of private enterprise rests solely upon public support. It remains for the people to say whether they want to place unlimited power in the politicians' hands.

Let business men talk to their neighbors in groups. By this means business can bring its problems before the people; and if the presentation is honest and reasonable, I have little doubt that the people will find private enterprise worthy of support. I am sure that enlightened self-interest is a greater motivating force than regulated collectivism.

Let each business man put his house in order. Let him see to it that his neighbors understand what his objectives are and how he is going about their attainment.

Let management be scrupulously careful in its public relations. Let business men throughout America spend enough time in direct political life to gain a realistic, up-to-date understanding of what political life really is. If, on all counts, business leaders will assume their full social responsibility, I have no fear for the country's economic progress.

EWING GALLOWAY



I. Tax Payments of Manufacturers, Wholesalers, and Retailers 1938—Summary

(Estimated Totals, Dun & Bradstreet Survey of Taxes Paid by Business)

	Manufacturers		Wholesalers		Retailers	
	Thousands of Dollars	*Per Cent of Sales*	*Thousands of Dollars*	*Per Cent of Sales*	*Thousands of Dollars*	*Per Cent of Sales*
Totals*—All Manufacturers, Wholesalers, and Retailers						
TOTAL TAX PAYMENTS	3,478,436	6.90	834,453	3.54	763,028	2.14
Social Security	494,416	0.98	77,494	0.33	163,417	0.46
Federal	2,028,204	4.02	132,768	0.56	116,343	0.33
State and Local	955,816	1.90	624,191	2.65	483,268	1.35
Totals*—Excluding Manufacturers and Wholesalers of Alcoholic Beverages and Petroleum, and Manufacturers of Tobacco						
TOTAL TAX PAYMENTS	1,599,428	3.62	278,723	1.46	763,028	2.14
Social Security	462,774	1.04	69,812	0.37	163,417	0.46
Federal	649,424	1.47	78,367	0.41	116,343	0.33
State and Local	487,230	1.11	130,544	0.68	483,268	1.35

* Estimates of total 1938 sales of industries and trades, used in these computations, were taken from the Dun & Bradstreet Survey of Business Trends, Dun's Review, May, 1938.

BUSINESS ENTERPRISE *as* TAX COLLECTOR *and* TAXPAYER

Second report on the Survey of Taxes Paid by Business, directed by Walter Mitchell, Jr. Technical consultants: Professor Carl Shoup, Columbia University, and Professor Paul Studenski, New York University.

TAXES amounting to more than $5 billion were paid in the calendar year 1938 by or through commercial enterprises—the three broad fields of manufacturing, wholesaling, and retailing—according to the total estimates which stretch like a tarpaulin over the detailed figures from the Dun & Bradstreet survey of tax payments of business (table I). The estimated grand total of tax collections in the United States amounted in the fiscal year ending 1938 to $14.7 billion.

Thus it appears that these fields of business enterprise, either as collectors for the tax authorities or as actual contributors to the support of government, pay about one-third of our total taxes (table III). This leaves the remaining two-thirds of taxes to be paid by individuals; by enterprises in fields not included in this summary tabulation, such as service trades and construction; and by fields not covered in the survey, such as public utilities, railroads, agriculture, mineral extraction, and finance.

Sales and excise taxes are second only to property taxes as a source of public revenue. For these, business enterprise is, in a practical sense, the deputy tax collector (table II). For instance, of the $3.5 billion paid by manufacturing industry, about one-half comprises the tax payments of the alcoholic beverage, petroleum, and tobacco industries. Tax payments in these instances constitute so large a percentage of sales and have so radical an effect on the average of other industries that the percentage ratios to sales in the affected tables have been computed both with and without these three industries.

Including these three heavily taxed commodities, manufacturers' tax payments amount to more than three times as large a percentage of sales as do those of wholesalers' or retailers'; excluding them it is only twice as large. Including the alcoholic beverage and petroleum trades, the tax payment ratio for wholesaling is about on a par with that of retailers; without these lines the wholesale average is only three-quarters as high as the retail

Estimates from government reports of total tax collections show that the Federal government collected about 40 per cent of the total tax revenue in 1938, and State and local governments together collected about 60 per cent (table II). Omitting Social Security which is both Federal and State, the survey results are consistent with this ratio. State and local collections are four or five times as great as Federal tax collections in the wholesale and retail fields, while manufacturing as a whole, pays two dollars in taxes to the Federal government for every one to State and local units. If the reckoning is made without the three big Federal excise items, manufacturers' Federal taxes still somewhat exceed their State and local payments. This predominance of Federal taxes is probably a result of the fact that manufacturing usually operates in a national market—its activities are preeminently interstate in character.

Our estimates of the dollar total of tax payments made by these three fields of business—manufacturing, wholesaling and retailing—cannot be accurate to the last penny, but they are probably adequate for purposes of comparison. These dollar estimates are built up trade by trade and industry by industry. They are the result of multiplying the tax payment ratio in each trade by the estimated total 1938 dollar sales of the same trade,[1] and totalling up the results. Comparing these totals with the revenue estimates (table II), it appears that the share paid by manufacturers, wholesalers, and retailers ranges all the way from 12 per cent of property taxes up to 90 per cent of Federal excises (table III). The remaining Federal excise taxes are levied on pipeline transportation, theater admissions, and other kinds of business not covered by this survey. The lion's share of property tax appears to be paid on quarters rented to business organizations, farms, living quarters, railroads, and other property outside the scope of our picture. Similar plausible observations apply to all other items in table III except State and local sales taxes, where the survey probably underestimates the amount paid. An explanation of this discrepancy is given later in the discussion.

[1] "Survey of Business Trends," DUN'S REVIEW, May 1939.

Another Grouping

From the standpoint of management, taxes may logically be classified in three groups: 1. Those such as property taxes, license fees, and business franchises, which are related to the permanent assets of the business and may be considered as fixed costs—at least in the short run—if the enterprise operates at all; their amount is not affected immediately either by sudden expansion or shrinkage in the receipts, expenses, or profits of the business. 2. Those taxes related to dollar sales or the expense budget, such as sales taxes and the Social Security contribution. Whereas the previous class of taxes becomes part of basic overhead, this class of taxes can be more logically grouped with direct or variable expense in the management equation which deals with cost. 3. Taxes such as the Federal and State income taxes which are levied on the profits of enterprise and are not a direct part of the fixed or variable expenses of the business. They become payable only if the management's profit-making equation has been solved correctly. It should be noted, however, that the business man who makes a profit has consciously or unconsciously included these in his selling price even though his taxable profit might otherwise have been larger.

These three classes of taxes, grouped from the management rather than from the legal viewpoint, are shown as percentages of the total tax bill paid by manufacturers, wholesalers and retailers.

TAXES GROUPED ACCORDING TO MANAGEMENT VIEWPOINT

(as percentages of total taxes paid)

	Manufacturing* *Per Cent*	Wholesaling* *Per Cent*	Retailing *Per Cent*
Taxes Related to Permanent Assets	24	28	27
Taxes Related to Volume of Sales or Expense.....	43	38	54
Taxes Levied on Profit	33	34	19
	100	100	100

* Excluding manufacturers and wholesalers of alcoholic beverages and petroleum products and manufacturers of tobacco.

Taxes related to permanent assets amount to about one-quarter of the tax bill. The variable taxes related to sales volume and payroll amount to about 40 per cent of manufacturers' and wholesalers' tax payments in the usual industry in contrast to 54 per cent of retailers' payments. Taxes levied on profits are relatively more im-

THANK YOU—BUSINESS MEN AND ADVISORS

THE Survey of Taxes Paid by Business has been made possible by the active co-operation of some 25,000 business organizations. To them is extended sincere gratitude and the hope that the survey's findings will be of interest and of help to them and to the business public.

A project of the Research & Statistical Division of DUN & BRADSTREET, INC., this study has been carried forward under the general direction of Dr. Willard L. Thorp, Director of Economic Research, who established the broad objectives and the general plan. Walter Mitchell, Jr., Director of Surveys, was in charge of procedure and analysis. The editing of returns and compilation of figures were under the direction of Fernley G. Fawcett.

Members of the Committee on Taxation of the American Institute of Accountants were generous in their help in framing a practical questionnaire; a further debt of gratitude is acknowledged to the following for their assistance in planning the classification of taxes and the broad outline of the study: Dr. Roy Blough, United States Treasury Department; Professors Roswell Magill and Carl Shoup, Columbia University; Dr. Frederick L. Bird, Municipal Service Department, DUN & BRADSTREET; and Miss Mabel Walker, Tax Policy League.

In addition to the active help of Professor Paul Studenski, New York University and Professor Shoup, as technical advisors, valuable suggestions for the development of this report were received from Professor Gerhard Colm, of the New School for Social Research; Professor Neil Jacoby, of the University of Chicago; and Dr. Gordon Keith of the National Bureau of Economic Research. The manuscript was carefully examined by Mr. Clifford Hynning, United States Department of Commerce.

II. Sources of Tax Revenue in the United States—1938

(Fiscal Year, 1937-1938; Millions of Dollars)

	Total	Federal[1]	State[4]	Local[8]
Personal Incomes	1,536	1,286	250[5]	..
Corporations (General and Special)	2,001	1,475[2]	526[6]	..
General Sales	543	..	443	100
Excises (Liquor, Gasoline, Tobacco, etc.)	2,937	1,737	1,175	25
Customs	359	359	..	..
Licenses	512	..	412	100
Social Security:				
Employers	1,170	422[3]	748[7]	..
Employees	332	332[3]	..	..
Property Taxes	4,714	..	214	4,500
Inheritance and Gifts	562	417	145	..
TOTAL[9]	14,667	6,030	3,912	4,725

[1] *Annual Report of the Secretary of the Treasury, 1938*, first three items and last item, Table 12, pp. 427-429; Customs, Table 7, p. 412; Social Security, p. 401 (includes Railroad Retirement Act Revenue).

[2] Includes taxes on corporate net income, undistributed profits, excess profits, and capital stock.

[3] Assuming an equal division between employers and employees of Title VIII receipts plus Carriers' Taxing Act receipts. The Treasury data do not distinguish between employers and employees.

[4] *Tax Policy*, Vol. VI, Nos. 2-3—December, 1938—January, 1939, p. vi—except Social Security item, *Annual Report of the Secretary of the Treasury, 1938*, p. 407, deposits by States in unemployment trust fund.

[5] Estimated on basis of data in *Tax Policy*, p. 5.

[6] Includes taxes on banks, chain stores, corporate franchises, insurance companies, and utilities, severance taxes, and an estimate (*Tax Policy*, p. 5) of corporate net income tax.

[7] A minor but unknown part of this should be allocated to employees.

[8] Estimated.

[9] Totals are true totals; discrepancies with sum of items in body of table result from evening off to nearest million.

portant in the manufacturing and wholesaling fields than in the retail field, very probably because relatively fewer retailers grow their little blades of profits high enough to be caught by the present adjustment of the tax mowing machine. Moreover, the year selected was relatively a prosperous one, wherein the manufacturers and wholesalers, with their cycle-sensitive profits, make an especially good showing. Thus, income taxes are less than one-fifth of the retailers' tax bill as against one-third of the total in the other two groups.

Alcoholic Excises

In this general picture, manufacturers' variable tax payments consist largely of Social Security payroll taxes. Federal excise taxes on manufacturers of alcoholic beverages are 99 per cent of their total tax payments. Consequently, when the tax payments of such trades are thrown into the totals, the taxes varying with volume or expense become a more important, though somewhat misleading, part of the total:

Taxes Grouped According to Management Viewpoint
(as percentages of total taxes paid)

	Manufacturing Per Cent	Wholesaling Per Cent	Retailing Per Cent
Taxes Related to Permanent Assets	13	12	27
Taxes Related to Volume of Sales or Expense	70	74	54
Taxes Levied on Profit	17	14	19
	100	100	100

The question of who eventually pays a tax is not as simple as might be inferred from the sum of the previous comments. Ever since the day when the study of economics and political science first reached self-consciousness this question has been one of the popular points around which economists could rally and disagree. The fact that John Public, as investor, wage earner, or consumer eventually pays all of the taxes, is too simple an explanation to be of practical value.

It is not the real question. The business man who pays a tax is in a position much like a basketball player in possession of the ball. If he holds on to it too long, a foul is called on him; he has no longer the opportunity to pass the tax along in the price of goods or by wage reduction and must "absorb" it by deduction from profits or net worth. The real concern of economists who have discussed "shiftable" taxes is the speed with which the tax burden moves to its final resting place.

Even that is not so simple to determine as has sometimes been assumed. The elusive quality of the problem can be demonstrated by a little theorizing about the common garden variety of sales tax. Legislators frequently specify that the tax shall be stated by the retailer as an item distinct from the price of goods sold. Except under unusually stringent competitive conditions, it is usually added to the price. From this the logical conclusion might be that neither the retailer's gross margin nor his net profit are ordinarily diminished by the tax. But that assumption neglects the fact that the demand for most goods is elastic and that the retailer is left free to lower the selling price.

Perhaps the most striking example would be the taxation of alcoholic beverages, in which excise taxes account for one-third or more of what the consumer pays. It is generally believed that if these taxes were suddenly removed, liquor consumption would increase.* Congress and the State legislatures have repeatedly assumed so in debates on liquor taxation, and they are not always wrong. Removal would supposedly mean more sales for the beverage retailers at much the same per cent margin, therefore more net profit. However, ordinary general sales taxes at the rate of 1 or 2 per cent probably affect the retailer's volume of sales and therefore his net profits to a minor degree. The assumption that most of such taxes are passed immediately to consumers or absorbed by a tightening of the belt around wastes and inefficiencies appears to be a practical one.

At the opposite extreme, in terms of supposed "shiftability," are income

* In the tobacco trade, however, tax rates and sales volume have increased together over a period of years.

taxes assessed against net profits and paid out of such profits, according to common accounting practice. Despite the fact that the income tax is a sort of accounting leper, living apart from the happy family of expenses in the profit and loss statement, our more canny cost accountants try to include it in the cost figures upon which the prices of manufactured goods are frequently based.*

Tax Mobility

The question of whether a newly imposed State income tax, or an increase in Federal income tax rates, serves to diminish the profits of the corporation below the level which they might otherwise have attained, is all but unanswerable.

In between these extremes lie other taxes whose mobility is even more difficult to trace or predict. Property taxes, miscellaneous licenses, and business franchise taxes ordinarily appear in a profit and loss statement as one of the expense items. The best that can be said is that, for the most part, they appear to be "shiftable" in the same degree as other costs.

The actual disposal of Social Security tax payments is even more difficult to determine since the principle of payroll taxation is almost entirely new to business management in the United States. For instance, observations from business men suggest that the possibility of passing on by price increases the employer's share of the payment depends on such factors as whether the price of the goods is fixed by the ferocity of competition, not to mention law, custom, or convenience. Under present conditions there seems to be little possibility of passing the burden back over the shoulder to the workers in the form of wage cuts, and practically no record of such action has turned up in the news. Even more rare and improbable is the likelihood that management could make a double play at first and second bases by adding this tax on to the price of goods and cutting it off wages at the same time.

Perhaps the tabulation of the present survey is open to a challenge on the logic of excluding the employee's share of Social Security payments from our tabulation of the total tax payments of business. It might be argued that even though this portion of the tax is supposedly paid by the workers, there is just as much reason for including it as for including a sales tax supposedly paid by the customer. The law explicitly provides that the employees should pay their share of the tax, with the employer acting as tax collector only. In any event, at 1938 rates the exclusion of this tax item from the survey's total makes very little difference.

SOCIAL SECURITY TAX PAYMENTS
(as percentages of Net Sales)

	Total	Employer's Share	Employee's Share
	Per Cent	*Per Cent*	*Per Cent*
Manufacturers	1.23	0.98	0.25
Wholesalers	0.42	0.33	0.09
Retailers	0.59	0.46	0.13

The employee's share commonly amounts to about one fourth as much as the employer's, as would be expected in view of the fact that only a handful of States demand unemployment contributions from workers.

Probably the shiftability of both parts of Social Security tax—even the shiftability of the wage increases called for under the Federal wage and hour law should be made the subject of a special management study by some competent research organization in order to summarize for the business man what his colleagues have been able to do about the added cost. For the present, the basic warning is that no grouping of taxes in the tables nor comment in the text of this survey is intended as any firm commitment by the authors to a belief that any given tax can or cannot be shifted by the payer.

All of the tax payment findings in this section of the report are presented as percentages of dollar sales volume and thus complete an undertaking begun in the preliminary report (DUN'S REVIEW, April, 1939). The greater number of returns available for this tabulation permits separate detailed estimates of seven kinds of tax payments for 36 manufacturing industries, 18 wholesale trades, independent retailers in 32 trades, and 8 groups of retail chain organizations. The questionnaire sheets of the 27,000 participants in the survey are the straw pile left behind as we move on to the milling of statistics and the effort to make them a reasonably palatable mental diet.

This laborious process is necessary in order to know the nature of the tax payments made by business. Figures representing the amount and character of these payments cannot be hung by strings of theory from the known total of governmental tax collections. The business man may get some dubious

III. THE RELATION OF TAX PAYMENTS BY MANUFACTURERS, WHOLESALERS, AND RETAILERS TO TOTAL TAX COLLECTIONS—1938

(Approximate Appraisal of the Importance of Enterprises in These Fields as Tax Collectors and Tax Payers)

	Total Tax Collections	Taxes Collected by or Through These Three Fields of Enterprise	
	Thousands of Dollars	*Thousands of Dollars*	*Per Cent of Total*
SOCIAL SECURITY (Employers)	1,170,000	735,327	62.8
FEDERAL INCOME	2,761,000	722,139	26.2
FEDERAL EXCISE	*1,737,000*	*1,555,176*	*89.5*
STATE INCOME	776,000	123,957	16.0
STATE AND LOCAL SALES AND EXCISE	*1,743,000*	*1,187,513*	*68.1*
PROPERTY	4,714,000	581,310	12.3
FRANCHISE AND CHAIN STORE OTHER TAXES AND LICENSES	512,000	30,782 130,713	33.3
TOTAL TAXES (without Employees' Social Security)	13,413,000	5,075,917	37.8
SOCIAL SECURITY (Employees)	332,000	194,014	58.4
TOTAL TAXES	13,745,000	5,269,931	38.4

* Both the extensive inquiries of the Colwyn Committee in England and the two-volume studies of the Federal corporation income tax by the National Industrial Conference Board reached the conclusion that general net income taxes are essentially non-shiftable.

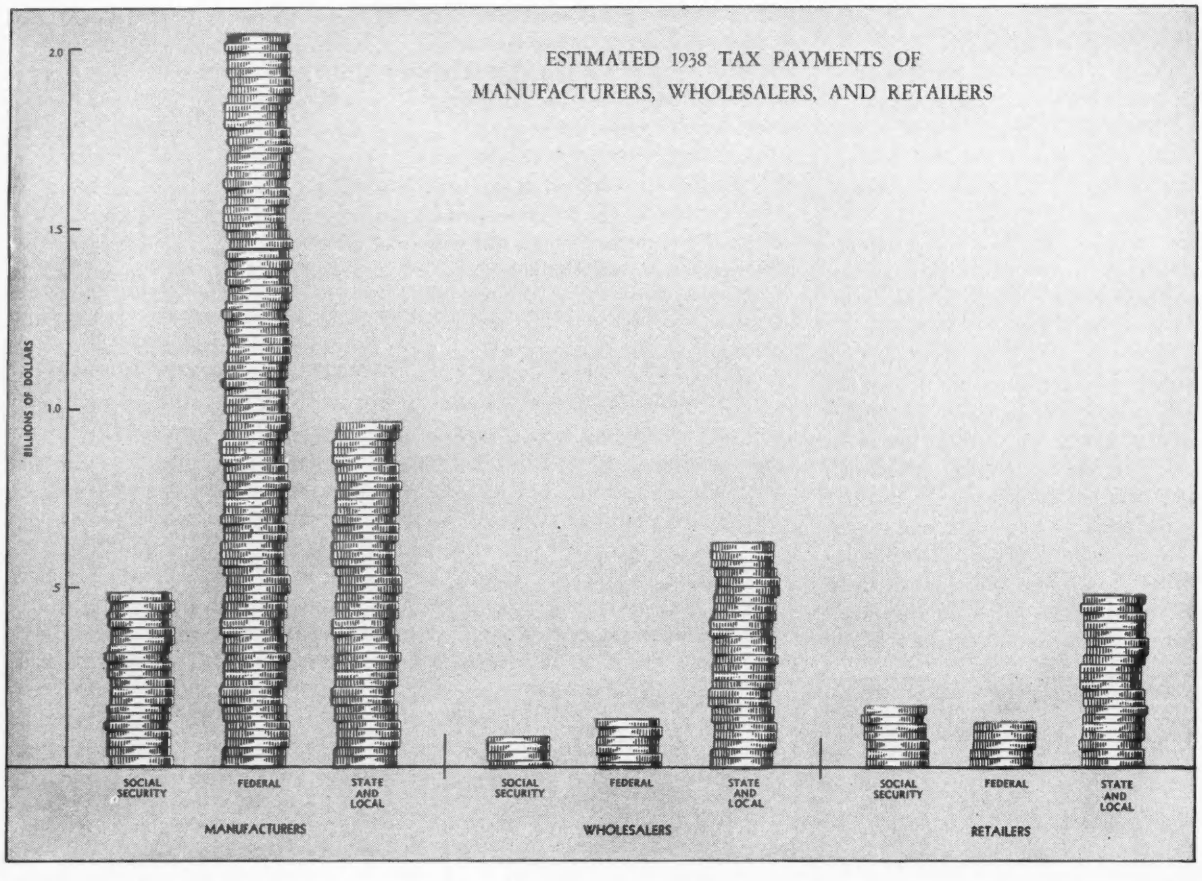
comfort that he hasn't encountered all the tax collectors in the country. A lifetime of hearty handshaking would hardly suffice to meet all the representatives of the States, cities, counties, schools, and drainage districts, mosquito abatement projects and other tax authorities extant in the United States. The number of such governmental units is estimated between 150,000 and 175,000. Thus, it is improbable that any two business enterprises in 1938 paid exactly the same assortment of taxes in the same relative amounts, to say nothing of having paid them in identical amounts.

From this improbability, emerge two logical limitations to the significance of this survey. First is that this volunteer sample of contributors, though formidable in number, are a small fraction of the 2,000,000 concerns engaged in the daily fray of business. They are probably typical of the rest, but may not be wholly so. He who is jostled most roughly by tax collectors is most likely to say something about it. This supposition holds even though careful editing detected and discarded a few returns apparently intended to "stuff the ballot box."

For instance, table V shows that 73 per cent of the reporting manufacturers and wholesalers paid Federal income taxes (including capital stock tax on corporations) whereas Bureau of Internal Revenue figures indicate that less than half of all corporations, and a smaller fraction of unincorporated enterprise, report taxable income. Either the more prosperous concerns rushed the gate into this survey, or capital stock tax payments built up the proportion of returns.

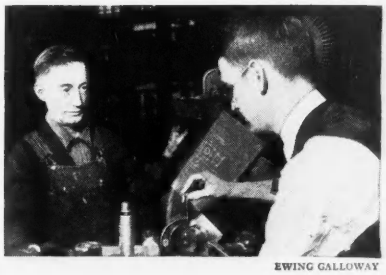
As a contender with this theory we have a heavyweight fact. When the State and local sales tax payment ratios, as found by the survey, are multiplied by the estimated total 1938 sales volumes the answer comes out that manufacturers, wholesalers, and retailers together paid $1,188 million of such taxes. Yet fiscal 1938 sales tax collections by the States and cities including gasoline and liquor taxes, have been reliably estimated at $1,743 million (table III). Even with allowance for taxes of this type paid by public utilities, and other kinds of business not included here, the survey appears to understate these tax payments, especially those of retailers. There is no way of bringing the "theory of exaggerations" and the "fact of under statement" together for a decision bout, to say nothing of a conclusive knockout. The most probable reason for the discrepancy is that contributors to the survey were relatively more numerous in those States not imposing sales taxes. All other ratios and dollar estimates based on the survey appear reasonably accurate by available tests.

A second caution is that the survey covers one year only, and the relative positions of various industries as to taxable assets, sales volume, and profits will undoubtedly change from year to year. Not only are tax rates changed by legislatures, but the tax bases and the ratios of assessments to collections



dance to the tunes of economic cycles and local politics, with none too accurate a sense of rhythm. Thus, total property tax revenues were, for unknown causes, declining from 1934 to 1936 at a time when improving business conditions were boosting the income tax yield at a striking pace. There is no such thing as a typical year in taxation. The survey can only present the story of 1938, along with a dubious belief that the relationships will not change too rapidly in the future.

With the back-drop and scenery in place showing the significance and limitations of the survey; and with a "cast" of definitions available for reference on page 24 the next task is to focus on those particular members of the chorus of interest to the reader.



EWING GALLOWAY

MANUFACTURING

THE tax payments of manufacturing industry, even after excluding the heavily taxed lines of alcoholic beverages, tobacco, and petroleum, absorb a substantially larger percentage of dollar sales volume than do the tax payments of retailers and are about twice the usual payment ratio for wholesalers. The composition of this total, amounting to 3.6 per cent of the dollar sales, is relatively easy to summarize. Federal income taxes and Social Security taxes, each absorb about 1 per cent of sales, and one or the other of them ordinarily constitutes the manufacturer's largest payment on any one tax account. The remaining 1.6 per cent consists of the various State and local taxes of which the property levy is ordinarily the largest, about three-fourths of one per cent, making it rank third among all types of manufacturers' tax payments.

Federal income taxes on corporations, the prevailing legal forms of manufacturing enterprise, are consistently larger percentages of sales than the equivalent tax on unincorporated enterprise. No such difference commonly appears in State income taxes on the two legal forms.

State income taxes and State and local sales taxes are approximately tied for fourth and fifth rankings as to size of payment. The smallest specific item is ordinarily reported under the heading of business franchise and chain store taxes. The former are small in amount and the latter rarely bear on a manufacturer's operations. The amount reported under miscellaneous taxes is usually slightly larger than this business franchise total, but by definition does not represent payment on any one kind of tax.

Comparison of the payment ratios of manufacturers and distributors for the more important tax items emphasizes that they fulfill different functions in our business structure. Payroll comprises a much larger portion of the usual manufacturer's sales price than it does of the wholesaler's or retailer's price. His payroll tax ratio is therefore two or three times as large as that of the usual distributor (table I). Many a manufacturing industry requires so heavy an investment in plant and equipment that net worth turns over only a third as fast as the usual rate of turnover in merchandising; hence a larger net profit in relation to sales volume is necessary to yield a reasonable return on investment, and Federal income taxes on that return could quite naturally and normally bulk larger in relation to sales volume than in the case of a retailer or wholesaler. Under the general heading of State and local taxes, the manufacturer's largest payment is commonly the property tax. The fact that this exceeds the wholesaler's or retailer's payment in relation to sales volume again reflects the need for large capital investment as well as the prevalence of rentals in retailing.

The tabulation discussed in this analysis is based upon the tax payment stories of about 5,300 manufacturers; in so far as numbers are concerned, a more desirable sample than the 2,000 manufacturers available previously (DUN'S REVIEW for April). Rather than keep this safety in numbers, however, we have made tax payment estimates for 36 industries or groups of industries instead of the 8 industrial groups previously analyzed.* Moreover, the larger scope of data now available has permitted estimates of Federal excise taxes in relation to sales volume, such taxes having been previously omitted.

The figures quoted regarding the tax payment ratios for manufacturing as a whole are merely the marshalls of a long parade of information about manufacturing in detail. Variations in tax payments occur according to size of concern, character of industry, and the circumstances bearing upon individual plants.

Probably most significant is a rather common variation by size of concern. Large organizations, with sales volumes of more than $10 million each,

* The sample in six of these industries is less than desirable, because of a small number of cases and small percentage coverage of the total industry sales volume: meat packing, ice, publishing, paint, automobiles, tobacco. See table VII.

IV. Taxes Paid by Business—1938—As Percentages of Aggregate Sales

	Total All Taxes	Social Security Taxes (Employers')	Federal Income Taxes: Average for All Concerns	Federal Income Taxes: Corporations (including Capital Stock Tax)	Federal Income Taxes: Proprietors, Partnerships	Federal Excise Taxes	State and Local Taxes: Total State and Local Taxes	State Income Taxes: Average for All Concerns	State Income Taxes: Corporations	State Income Taxes: Proprietors, Partnerships	State and Local Taxes: Sales and Excise Taxes	Property Taxes: Average for All Concerns	Property Taxes: Owners (*Real and Personal*)	Property Taxes: Tenants (*Personal Only*)	State and Local Taxes: Other Taxes and Licenses	State and Local Taxes: Franchise and Chain Taxes[1]
Manufacturing Industries																
FOOD																
Baking and Confectionery	2.56	1.09	0.56	0.56	..[2]	..	0.91	0.15	0.15	..	0.12	0.55	0.58	0.14	0.08	0.01
Beverages, Non-Alcoholic	3.57	0.62	1.04	1.25	0.47	..	1.91	0.32	0.37	0.18	0.73	0.48	0.55	0.11	0.30	0.08
Dairies, Creameries, and Milk Dealers	2.35	0.85	0.35	0.35	0.34	..	1.15	0.10	0.10	0.04	0.07	0.55	0.56	0.13	0.42	0.01
Meat Packing	1.05	0.39	0.22	0.22	..	..	0.44	0.20	0.20	..	0.01	0.19	0.19	0.06	0.02	0.02
Ice Manufacturing	5.49	1.18	0.75	0.79	0.42	..	3.56	0.27	0.29	0.14	0.87	2.03	2.03	..	0.28	0.11
Flour and Feed Milling	1.14	0.37	0.13	0.13	..	..	0.64	0.02	0.02	..	0.06	0.41	0.41	..	0.14	0.01
Canning and Other Food Manufacturing	6.05	0.54	0.86	0.87	0.34	3.71	0.94	0.30	0.30	0.05	0.04	0.46	0.53	0.15	0.13	0.01
TEXTILES AND CLOTHING																
Textile Weaving	2.95	1.19	0.59	0.59	0.12	..	1.17	0.12	0.12	0.03	0.02	0.88	0.95	0.12	0.07	0.08
Clothing	1.88	1.14	0.21	0.22	0.15	..	0.53	0.12	0.13	0.05	0.07	0.26	0.39	0.14	0.06	0.02
Hosiery	2.27	1.14	0.58	0.58	..	..	0.55	0.07	0.07	..	0.01	0.43	0.43	..	0.03	0.01
FOREST PRODUCTS																
Lumber and Planing Mill Products	3.79	1.12	0.85	0.86	0.60	..	1.82	0.10	0.10	0.18	0.35	1.24	1.30	0.35	0.09	0.04
Furniture	3.55	1.40	0.92	0.95	0.54	..	1.23	0.08	0.07	0.17	0.25	0.79	0.84	0.21	0.04	0.07
All Other Forest Products	3.11	1.25	0.67	0.65	0.81	..	1.19	0.12	0.12	0.07	0.16	0.79	0.87	0.42	0.09	0.03
PAPER, PRINTING, AND PUBLISHING																
Paper and Paper Products (including boxes)	3.85	1.01	1.55	1.56	0.41	..	1.29	0.26	0.26	0.07	0.08	0.82	0.82	0.45	0.02	0.11
Printing and Binding (book and job)	3.42	1.45	0.91	0.93	0.51	..	1.06	0.18	0.18	0.16	0.21	0.56	0.72	0.27	0.05	0.06
Newspapers and Periodicals (large)	4.26	1.59	1.35	1.36	0.47	..	1.32	0.15	0.15	0.21	0.02	1.02	1.11	0.27	0.06	0.07
Newspapers (small) with Printing	2.85	1.28	0.34	0.37	0.28	..	1.23	0.09	0.09	0.10	0.11	0.91	1.32	0.60	0.10	0.02
CHEMICALS AND DRUGS																
Industrial Chemicals and Chemical Products	3.13	0.60	1.19	1.20	0.64	..	1.34	0.16	0.16	0.12	0.21	0.75	0.77	0.11	0.16	0.06
Drugs, Perfumes, and Cosmetics	4.58	0.47	0.31	0.31	..	3.02	0.78	0.03	0.03	..	0.07	0.58	0.58	0.25	0.04	0.06
Paints, Varnishes, and Lacquers	2.88	0.92	0.80	0.80	..	..	1.16	0.05	0.05	..	0.23	0.72	0.73	0.55	0.11	0.05
SHOES	2.18	1.16	0.58	0.59	0.21	..	0.44	0.10	0.10	0.06	0.02	0.24	0.24	0.22	0.02	0.06
STONE, CLAY, AND GLASS PRODUCTS																
Stone and Stone Products	4.07	1.14	1.86	1.89	0.39	..	1.07	0.12	0.12	0.13	0.19	0.63	0.64	0.29	0.09	0.04
Clay and Glass Products	3.90	1.37	1.49	1.52	0.33	..	1.04	0.15	0.16	0.11	0.08	0.65	0.66	0.13	0.06	0.10
IRON AND STEEL																
Iron and Steel Manufacturing and Products	3.94	1.17	1.34	1.34	0.59	..	1.43	0.14	0.14	0.09	0.08	1.02	1.04	0.37	0.05	0.14
Foundries	4.24	1.66	1.01	1.02	0.70	..	1.57	0.12	0.11	0.71	0.11	1.12	1.15	0.58	0.13	0.09
Hardware	4.08	1.37	1.47	1.50	0.59	..	1.24	0.21	0.22	0.06	0.04	0.94	0.99	0.36	0.02	0.03
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT																
Electrical Apparatus and Appliances	5.28	1.57	1.86	1.86	0.64	0.59	1.26	0.22	0.22	0.08	0.08	0.85	0.86	0.36	0.06	0.05
Machine Shop Products	4.05	1.59	1.45	1.52	0.68	..	1.01	0.15	0.15	0.18	0.09	0.49	0.52	0.32	0.14	0.14
Automobiles	5.03	1.08	0.51	0.51	..	1.78	1.66	0.03	0.03	..	0.08	1.44	1.44	..	0.02	0.09
Other Transportation and Agricultural Machinery	5.53	1.22	2.35	2.35	..	0.82	1.14	0.15	0.15	..	0.02	0.83	0.83	0.32	0.11	0.03
Engines and Machinery	4.77	1.49	1.90	1.91	0.52	..	1.38	0.25	0.25	0.14	0.11	0.86	0.88	0.26	0.04	0.12
MISCELLANEOUS																
Non-ferrous Metal Products	2.10	0.59	0.89	0.89	0.73	..	0.62	0.14	0.14	0.17	0.01	0.43	0.41	0.68	0.02	0.02
Other Manufacturing	4.73	1.15	1.51	1.52	0.50	0.85	1.22	0.20	0.20	0.16	0.08	0.85	0.87	0.22	0.04	0.05
TOTAL (without Distilleries, Petroleum, Tobacco, and Breweries)	3.62	1.04	1.04	1.04	0.34	0.43	1.11	0.16	0.16	0.08	0.09	0.72	0.75	0.24	0.08	0.06
Distilleries and Wineries	50.10	0.16	0.18	0.18	..	49.10	0.66	0.02	0.02	..	0.29	0.21	0.21	0.55	0.10	0.04
Breweries	41.19	0.40	0.82	0.82	..	32.67	7.30	0.06	0.06	..	6.48	0.51	0.54	0.25	0.20	0.05
Petroleum Refining	22.93	0.57	0.90	0.90	..	7.91	13.55	0.25	0.25	..	11.47	1.05	1.05	..	0.71	0.07
Tobacco Products[3]	33.30	0.60	0.89	0.89	..	31.26	0.55	0.17	0.17	..	0.00	0.22	0.22	..	0.01	0.15
ALL MANUFACTURING	6.90	0.98	1.01	1.02	0.30	3.01	1.90	0.16	0.16	0.07	0.85	0.71	0.74	0.22	0.12	0.06
Wholesale Trades																
FOOD AND BEVERAGES																
Confectionery and Tobacco Products	1.34	0.11	0.09	0.09	0.05	..	1.14	0.06	0.06	0.03	0.90	0.11	0.16	0.06	0.06	0.01
Dairy and Poultry Products	0.37	0.13	0.14	0.15	0.05	..	0.10	0.02	0.02	0.05	0.00	0.05	0.07	0.04	0.03	0.00
Groceries	1.06	0.22	0.21	0.21	0.12	..	0.63	0.05	0.05	0.05	0.17	0.30	0.34	0.12	0.10	0.01
Meats and Fish	1.05	0.41	0.16	0.16	0.14	..	0.48	0.04	0.05	0.03	0.04	0.31	0.39	0.08	0.07	0.02
Produce and Fruit	0.65	0.25	0.15	0.16	0.11	..	0.25	0.04	0.04	0.02	0.03	0.10	0.12	0.07	0.08	0.00
Alcoholic Beverages	9.70	0.19	0.61	0.73	0.15	3.77	5.13	0.11	0.12	0.04	4.65	0.07	0.18	0.03	0.27	0.03
DRY GOODS AND APPAREL	1.35	0.40	0.26	0.26	0.27	..	0.69	0.05	0.05	0.08	0.12	0.46	0.69	0.21	0.04	0.02
LUMBER, BUILDING MATERIALS, AND HARDWARE																
Lumber, Building Materials, and Fuel	1.42	0.31	0.38	0.41	0.16	..	0.73	0.08	0.09	0.07	0.19	0.38	0.71	0.06	0.07	0.01
Hardware	2.52	0.42	0.73	0.74	0.37	..	1.37	0.15	0.15	0.22	0.20	0.92	1.06	0.29	0.08	0.02
DRUGS																
Drugs and Industrial Chemicals	1.38	0.27	0.38	0.36	0.94	..	0.73	0.07	0.06	0.41	0.31	0.29	0.31	0.25	0.02	0.04
Paints and Varnishes	1.63	0.41	0.51	0.32	0.78	..	0.71	0.06	0.10	0.02	0.25	0.33	0.40	0.16	0.05	0.02
PETROLEUM PRODUCTS	13.41	0.17	0.37	0.40	0.22	..	12.87	0.11	0.10	0.13	12.38	0.26	0.28	0.15	0.11	0.01

[1] For manufacturers and wholesalers this column lists Franchise taxes; for retailers, Chain Store taxes.
[2] Where figures are not given the tax does not apply or too few concerns reported data to warrant an estimate.
[3] No cigarette manufacturers included, reporting concerns are primarily cigar makers.

IV. Taxes Paid by Business—1938—As Percentages of Aggregate Sales *(Continued)*

	Total All Taxes	Social Security Taxes (Employers')	Federal Income Taxes: Average for All Concerns	Federal Income Taxes: Corporations (including Capital Stock Tax)	Federal Income Taxes: Proprietors, Partnerships	State and Local Taxes: Total State and Local Taxes	State Income Taxes: Average for All Concerns	State Income Taxes: Corporations	State Income Taxes: Proprietors, Partnerships	State and Local Taxes: Sales and Excise Taxes	Property Taxes: Average for All Concerns	Property Taxes: Owners *(Real and Personal)*	Property Taxes: Tenants *(Personal Only)*	Other Taxes and Licenses	Franchise and Chain Taxes[1]
Wholesale Trades *(Continued)*															
AUTOMOTIVE EQUIPMENT	1.83	0.56	0.45	0.48	0.34	0.82	0.10	0.09	0.13	0.22	0.39	0.54	0.31	0.09	0.02
SUPPLY HOUSES															
Plumbing and Heating Supplies	2.25	0.42	0.80	0.83	0.49	1.03	0.14	0.15	0.05	0.27	0.47	0.50	0.29	0.11	0.04
Machinery and Equipment	2.23	0.50	0.76	0.77	0.43	0.97	0.24	0.25	0.05	0.15	0.45	0.49	0.41	0.10	0.03
Other Miscellaneous Supplies	2.19	0.61	0.63	0.67	0.35	0.95	0.07	0.06	0.12	0.36	0.41	0.56	0.29	0.07	0.04
ALL OTHER															
Electrical Goods and Appliances	1.57	0.46	0.52	0.53	0.44	0.59	0.11	0.11	0.12	0.20	0.19	0.28	0.15	0.07	0.02
Paper and Paper Products	1.72	0.38	0.59	0.60	0.44	0.75	0.07	0.07	0.04	0.23	0.33	0.53	0.14	0.07	0.05
Other Wholesaling	1.61	0.43	0.54	0.60	0.30	0.64	0.08	0.08	0.06	0.12	0.34	0.47	0.17	0.07	0.03
ALL WHOLESALING (except Alcoholic Beverages and Petroleum, and Petroleum Products)	1.46	0.37	0.41	0.44	0.28	0.68	0.08	0.08	0.08	0.19	0.32	0.44	0.16	0.02	0.07
ALL WHOLESALING	3.54	0.33	0.41	0.44	0.26	2.65	0.08	0.08	0.08	2.31[4]	0.31	0.41	0.16	0.08	0.02
Retail Trades															
FOOD															
Groceries (Independent)	1.27	0.19	0.13	0.13	0.12	0.95	0.06	0.04	0.06	0.45	0.32	0.63	0.15	0.12	..
Groceries and Meats (Independent)	1.52	0.27	0.11	0.14	0.10	1.14	0.05	0.08	0.02	0.74	0.24	0.36	0.15	0.11	..
Groceries and Meats (Small Chains)	2.17	0.48	0.34	0.34	..	1.35	0.05	0.05	..	0.98	0.26	..	0.26	0.06	..
Meats and Fish	1.15	0.21	0.05	0.03	0.05	0.89	0.03	0.07	0.02	0.50	0.23	0.59	0.09	0.13	..
Bakeries (Independent)	2.10	0.87	0.24	0.22	0.25	0.99	0.08	0.04	0.11	0.31	0.41	0.66	0.12	0.19	..
Bakeries (Chains)	3.00	0.96	1.04	1.04	..	1.00	0.09	0.09	..	0.40	0.29	..	0.29	0.12	0.10
Other Food and Beverage Stores	1.87	0.42	0.19	0.18	0.20	1.26	0.06	0.07	0.06	0.54	0.33	0.67	0.14	0.33	..
FARM SUPPLIES, GENERAL STORES															
Country General Stores	2.07	0.26	0.30	0.45	0.08	1.51	0.07	0.09	0.04	0.72	0.55	0.68	0.28	0.17	..
Farmers' Supply Stores	1.07	0.16	0.20	0.22	0.12	0.71	0.04	0.04	0.05	0.26	0.31	0.33	0.21	0.10	..
Farm Implements	2.21	0.32	0.37	0.48	0.24	1.52	0.10	0.09	0.13	0.93	0.35	0.57	0.20	0.14	..
GENERAL MERCHANDISE GROUP															
Department Stores (Independent)	3.32	0.66	0.50	0.50	0.36	2.16	0.11	0.11	0.09	0.89	1.11	1.38	0.78	0.05	..
Department Stores (Chains)	2.19	0.49	0.52	0.52	..	1.18	0.06	0.06	..	0.63	0.38	..	0.38	0.02	0.09
Mail-Order Houses	1.15	0.30	0.46	0.46	..	0.39	0.00	0.00	..	0.20	0.19	0.15	0.28	0.00	..
General Merchandise and Dry Goods	2.55	0.46	0.34	0.41	0.17	1.75	0.08	0.09	0.05	0.86	0.65	0.94	0.44	0.16	..
Variety Stores (Independent)	1.84	0.22	0.14	0.17	0.13	1.48	0.08	0.04	0.09	0.86	0.42	0.94	0.31	0.12	..
Variety Stores (Chains)	2.72	0.57	0.76	0.76	..	1.39	0.16	0.16	..	0.62	0.46	..	0.46	0.06	0.09
APPAREL GROUP															
Men's and Boys' Clothing and Furnishings	2.60	0.64	0.32	0.36	0.19	1.64	0.08	0.09	0.06	0.96	0.48	0.75	0.36	0.12	..
Women's Clothing and Accessories (Ind.)	2.34	0.46	0.38	0.45	0.25	1.50	0.08	0.09	0.07	0.77	0.56	1.39	0.26	0.09	..
Family Clothing	2.51	0.51	0.45	0.53	0.27	1.55	0.22	0.23	0.20	0.70	0.54	1.09	0.45	0.09	..
Shoes (Independent)	2.19	0.35	0.30	0.42	0.19	1.54	0.11	0.10	0.12	0.74	0.56	1.48	0.42	0.13	..
Shoes (Chains)	2.14	0.51	0.62	0.62	..	1.01	0.12	0.12	..	0.34	0.28	..	0.28	0.22	0.05
FURNITURE AND HOUSE FURNISHINGS															
House Furnishings and Floor Covering	3.03	0.69	0.36	0.33	0.44	1.98	0.13	0.09	0.22	1.11	0.62	1.11	0.28	0.12	..
Radio, Electric, and Gas Household Appl.	2.07	0.56	0.32	0.45	0.16	1.19	0.05	0.05	0.05	0.72	0.25	0.56	0.16	0.17	..
Furniture	3.07	0.56	0.58	0.64	0.48	1.93	0.12	0.09	0.17	0.89	0.73	1.19	0.44	0.19	..
LUMBER, BUILDING MATERIALS, AND HARDWARE															
Lumber and Building Materials	2.86	0.53	0.58	0.59	0.51	1.75	0.11	0.11	0.11	0.75	0.75	0.83	0.31	0.14	..
Paint, Wallpaper, and Glass	2.33	0.65	0.25	0.28	0.22	1.43	0.08	0.04	0.12	0.74	0.44	0.93	0.22	0.17	..
Hardware	2.61	0.43	0.49	0.58	0.28	1.69	0.12	0.13	0.09	0.70	0.69	1.03	0.38	0.18	..
Hardware and Farm Implements	2.18	0.32	0.36	0.41	0.25	1.50	0.09	0.10	0.09	0.49	0.81	0.98	0.43	0.11	..
AUTOMOTIVE PRODUCTS															
Motor Vehicle Dealers	1.53	0.41	0.18	0.15	0.23	0.94	0.03	0.03	0.04	0.61	0.20	0.39	0.09	0.10	..
Automobile Accessories and Parts (Ind.)	1.98	0.55	0.25	0.26	0.24	1.18	0.06	0.05	0.08	0.59	0.40	0.63	0.25	0.13	..
Automobile Accessories and Parts (Chains)	3.17	0.67	1.34	1.34	..	1.16	0.03	0.03	..	0.75	0.13	..	0.13	0.14	0.11
Filling Stations	1.48	0.29	0.26	0.38	0.11	0.93	0.06	0.09	0.04	0.43	0.32	0.45	0.06	0.12	..
ALL OTHER															
Restaurants and All Other Eating and Drinking Places (Independent)	3.29	0.86	0.32	0.38	0.27	2.11	0.08	0.08	0.08	1.14	0.37	0.88	0.18	0.52	..
Restaurants and All Other Eating and Drinking Places (Chains)	4.28	1.47	0.44	0.44	..	2.37	0.03	0.03	..	1.55	0.58	..	0.58	0.13	0.08
Drugs and Cosmetics (Independent)	2.36	0.32	0.24	0.31	0.16	1.80	0.07	0.07	0.07	0.94	0.55	1.14	0.34	0.24	..
Drugs and Cosmetics (Chains)	2.00	0.61	0.69	0.69	..	0.70	0.06	0.06	..	0.15	0.29	..	0.29	0.02	0.18
Coal and Other Fuel	2.17	0.49	0.23	0.29	0.14	1.45	0.05	0.04	0.07	0.79	0.39	0.50	0.20	0.22	..
Florists and Nurseries	2.71	0.68	0.28	0.34	0.13	1.75	0.13	0.16	0.05	0.32	1.16	1.40	0.18	0.14	..
Jewelry	2.95	0.63	0.47	0.58	0.30	1.85	0.14	0.13	0.14	0.73	0.84	2.32	0.41	0.14	..
Stationery, Books, and Newsdealers	2.67	0.63	0.36	0.42	0.24	1.68	0.11	0.12	0.09	1.05	0.44	0.80	0.31	0.08	..
All Other Retail Stores	2.60	0.57	0.41	0.51	0.25	1.62	0.07	0.07	0.07	1.00	0.39	0.25	0.66	0.16	..
INDEPENDENT RETAILERS	2.11	0.44	0.29	0.33	0.21	1.38	0.07	0.07	0.06	0.70	0.45	0.72	0.25	0.16	..
CHAIN ORGANIZATIONS	2.36	0.57	0.50	0.50	..	1.29	0.07	0.07	..	0.74	0.32	..	0.32	0.06	0.10
ALL RETAILING	2.14	0.46	0.33	0.36	0.17	1.35	0.07	0.07	0.05	0.70	0.42	0.59	0.26	0.15	0.01

[1] For manufacturers and wholesalers this column lists Franchise taxes; for retailers, Chain Store taxes.
[4] Includes 0.15 per cent which is Federal Excise Tax on alcoholic beverages.

ordinarily pay out about twice as large a percentage of sales in the form of taxes as is paid by small manufacturers, with a sales volume of less than $50,000. An orderly sequence of intermediate percentages is paid by the medium-sized groups. Such a pattern appears in 27 industries, the reverse in 8 industries; only one industry shows no marked variation in payment ratios by size of concern. This tendency to higher tax payment ratios among large concerns applies primarily to corporations rather than unincorporated enterprise, but corporations represent well over 90 per cent of the sales volume of manufacturing industry, and the findings lose no importance by this limitation.

Heavier Ratios

Outstanding among the 27 industries where the large concerns report a heavier tax payment ratio are the following lines, where the large corporations' tax payments amount to at least twice as great a percentage of their sales as do the payments of small enterprise: confectionery; dairies, creameries, and milk dealers; canning and other food processing; furniture; paper and paper products; printing and binding; petroleum refining; stone and stone products (including cement); iron and steel and their products; foundries; hardware; transportation and agricultural machinery; engines and heavy machinery; and tobacco products.

This affect on total taxes is the result of three factors—Federal income taxes, State income taxes, and business franchise taxes—in which large concerns in a majority of 36 industries average two or three times as great a payment ratio as the small. The heavier income tax payments by large concerns suggest more frequent profits in that group, in addition to reflecting "progressive" income tax rates.

In opposition to these influences are three more taxes on which the small enterprises in the majority of industries pay the largest proportion of sales, but these are considerably less important in relation to sales volume than the first three taxes. These classes of taxes are: property tax payments by owners, of which the small concern averages twice as high a payment ratio as big enterprises; State and local sales taxes, of which the small concern usually pays four times as great a ratio (perhaps a result of more sales direct to consumers); and licenses, of which the small enterprise pays twice as much percentage-wise.

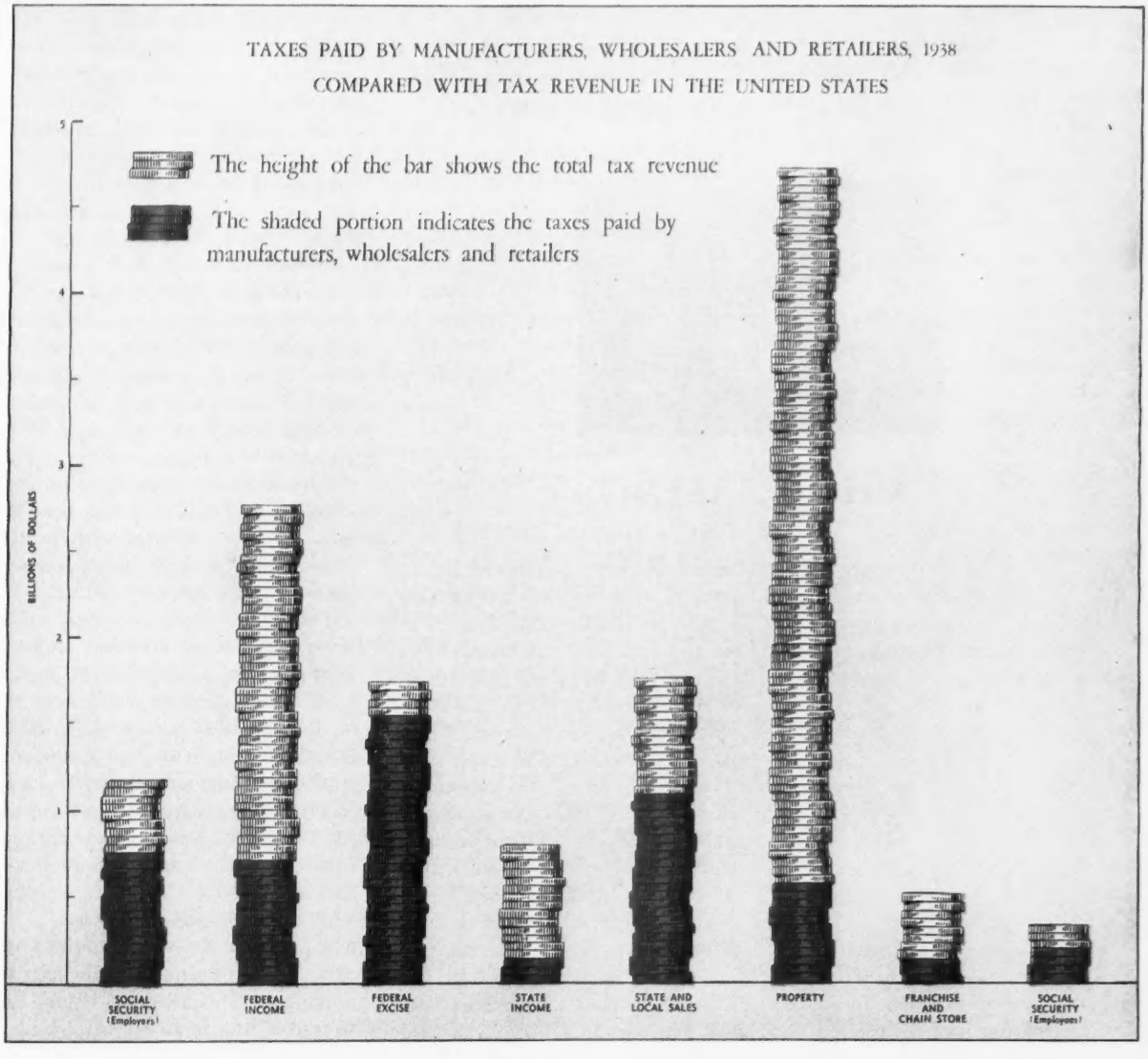
Comparisons between the several industries as to their tax payment ratios can be made most conveniently after excluding the liquor, tobacco, and petroleum industry figures for later discussion. Exceptionally heavy excise taxes are the principal cause of the high tax ratios of 6 per cent of sales recorded by canners and other food manufacturers. Automobile manufacturers also may attribute a large part of the 5 per cent tax ratio paid by them to heavy Federal excise taxes. Outside the firing range of Federal excise taxes, one of the highest ratios was recorded by manufacturers of artificial ice, who paid 5½ per cent of sales in the form of taxes, a substantial part of which consisted of exceptionally heavy property taxes. Two other industries reported average tax payments of more than 5 per cent; electrical goods and appliances, and transportation and agricultural machinery.

Three industries stand out with relatively small payments in comparison with the average tax ratios; two of these totalling only a little above 1 per cent of sales and the other falling under 2 per cent. The total tax payment ratio for the meat packing industry appears to be low merely because of low property tax and sales tax ratios; in the flour milling industry, because of small Social Security and Federal income tax ratios; in the clothing industry, because of small property and Federal income tax ratios. In the first two of these instances, cost of materials is a relatively high proportion of the sales price so that a low ratio of taxes to sales may well be average or higher than average in relation to the "value added by manufacture," which is in reality the fund out of which expenses must be met.

The liquor, tobacco, and petroleum industries are special cases in any analysis of taxation. In the case of distillers, the Federal excise taxes paid amounted to as much as the value of product and therefore were half of their total receipts. Other tax ratios are relatively low. For instance, employers' Social Security taxes paid by distilleries and wineries constitute about the smallest percentage of sales recorded by any industry and the same is in general true of Federal and State income taxes, perhaps denoting a dearth of profits in the liquor trade. Property taxes are also relatively low. The first point which may here occur to an observer is that this is the result of using total receipts (value of product plus excise taxes) of petroleum, alcoholic beverage, and tobacco manufacturers as the base against which taxes are measured rather than their "value of product" alone. But if the sales tax on distilled spirits were compared with the value of product sold, it would amount to about 100 per cent, a figure obviously impossible and not comparable to the sales tax ratios for other industries. The procedure followed and the reasons are explained more fully in the definitions under "Sales and Excise Taxes on Outgoing Goods—Federal." Yet this method causes other taxes to look like exceptionally small percentages of sales. The substantial truth of the comment earlier in this paragraph is, however, demonstrated by the fact that doubling the tax payment ratios on the four taxes accounts discussed above would still leave them well below the average ratio paid in other industries.

Tobacco Taxes

Federal excise taxes on the tobacco industry amount to one-third of total receipts-including-taxes, while other types of taxation appeared to absorb percentages of sales about in line with



the averages in the other industries.

Federal and State sales taxes on gasoline and oil amount to about one-fifth of the receipts of the petroleum refining industry and are supplemented by relatively high property and license tax payments in relation to total receipts. The remaining taxes are about in line with the average for other industries.

Obviously everybody does not pay all kinds of taxes, and the proportion of concerns paying various types of tax is a significant type of information. Since the manufacturing process almost inevitably requires a substantial amount of labor, manufacturers more frequently report payroll taxes under the Social Security program than do wholesalers or retailers, and only 4 per cent of the manufacturing enterprises, presumably without hired employees, pay no Social Security tax. With respect to other taxes, the proportion of concerns reporting payment does not differ greatly between wholesaling and manufacturing. About three out of four manufacturers pay Federal income taxes and property taxes, about half of them found items to report under the heading of miscellaneous licenses and taxes, while only about one-third report payments of State income taxes, State and local sales taxes, or business franchise taxes.

Among all industries grouped under "manufacturing," least frequent tax payments are reported by small town newspaper and job printing enterprises. One of every ten concerns paid no Social Security tax. Only four out of ten were liable for Federal income taxes and half as many for State income taxes.

If there is any general conclusion warranted by the experience of seven

medium and large companies, it may be said that the automobile industry pays taxes with outstanding regularity. All seven reported payments on Social Security, Federal income, State sales and property taxes, and a majority of them also reported payments under the remaining three headings.

CHARLES PHELPS CUSHING

WHOLESALING

AT FIRST glance it might appear that the wholesaler is more fortunate than the manufacturer or retailer in the matter of his tax payments, which according to the survey results are estimated at $1.96 per $100 of wholesale volume. Excluding the special cases of liquor and petroleum products wholesaling, the average for other wholesaling trades is 1.46 per cent of sales. This is about one-half the ratio of tax payments made by manufacturers and three-quarters of the rate for retailers.

Upon analysis it appears that part of this difference is related to the wholesalers' economic function and to his normal narrow margin between cost and selling price. Part of it is the result of his unpopularity as a deputy revenue collector of sales taxes. Since turnover of net worth is naturally more rapid in wholesaling than in a manufacturing field requiring heavy investment, a smaller net profit on sales may still yield a satisfactory return on capital, and Federal income taxes reflect this by being a smaller average percentage of sales than the manufacturer pays.

Property taxes on wholesalers are proportionately only three-quarters as large as those on retailers and even less relative to manufacturers' payments, because neither an expensive location nor a heavy investment in machinery is characteristic of wholesaling. Social Security tax payments, which absorb only one-third as great a proportion of sales as in the case of manufacturing, reflect the fact that payroll is ordinarily only one-third as large a part of the selling price. The wholesaler's margin in turn, averages a smaller percentage of the sales volume than the retailer's margin or the manufacturer's "value added by manufacture."

With respect to sales tax payments by wholesalers, the facts are much the same, but the background is quite different. Although the average wholesaler may pass along various manufacturers' excise taxes as a part of the price of certain items he handles, it would appear that the wholesaling of petroleum products is the only trade specifically saddled with the duty of collecting and forwarding a really large block of tax revenue. In the liquor trade, wholesalers act as forwarding agents for a minor part of the total sales tax.

The wholesaler's scope is quite commonly regional and interstate, yet seldom national. In the majority of trades the wholesaler is legally and practically a cumbersome instrument through which to collect a State sales tax, constitutionally inapplicable to goods sold outside the State. At the same time, the usual limit to the wholesaler's territory, and the miscellany of commodities he handles, ordinarily makes it easier for the Federal government to reach specific commodities with excise taxes at the manufacturing stage.

All this discussion may be somewhat beside the point, since it really pertains almost entirely to the question of allocating a job delegated by government bodies. Since it is commonly supposed that sales and excise taxes are shifted onward through various purchasers to the ultimate consumer, such retarding effect as sales taxes may have on consumption is a matter of the same interest for the wholesaler as for the retailer and for the manufacturer handling the affected products.

The present tabulation from the survey is based on the experience of about 1,900 full-service and limited-function wholesalers and excludes manufacturers' sales branches, agents, brokers, assemblers, converters, exporters, and most types of importers. This sample contains almost twice the number available in the earlier analyses and permits separate estimates of the ratios of tax payments in 19 wholesale trades, whereas no breakdown of wholesaling was presented in the preliminary report. In an examination of the relative importance of various taxes among the 19 trades, it appears that the Federal income tax is ordinarily the largest percentage of sales, followed by other taxes in the following order:

Social Security
Property
Local Sales and Excise
State Income
Business Franchise
Miscellaneous

Though we must present straight and rather uninspiring averages in our tables for convenience of comparison, we are at least able to retain some photograph of how the place looked before we trimmed off all the foliage. The average tax payment ratios for all wholesaling, as discussed above, are

what remain after the indiscriminate pruning of arithmetic has removed the variations resulting from the differences in size of concern, character of trade, and individual sales tax. These three causes of variation in the tax ratios reported by these various wholesalers deserve separate discussion one by one.

In 7 of the 19 trades, tax payments represent a larger percentage of the sales volume of big than of little wholesale houses, and no trades show the reverse tendency. This is largely the result of the fact that the Federal corporation income tax reported by large concerns is twice as large a percentage of sales as the tax paid by smaller enterprises in 8 of the 19 trades; and the tax payments of medium-sized concerns fall, logically, between these extremes. The same is true of Federal income taxes paid by proprietors and partnerships. A reverse tendency, but not so marked as to affect the total tax ratio, is to be found in the cases of sales and property tax payments of 8 trades, where the payment ratio is three times as great among the smaller concerns as it is for the large houses. The small wholesale house undoubtedly sells proportionately more goods to institutions and to other relatively large consumers, subject to a sales tax, than does a large wholesale enterprise.

Over Two Per Cent

Highest tax payment ratios are reported by wholesalers of petroleum products and liquor; in both cases the result of their activity as collectors of State and local sales taxes (table IV). The following additional trades record tax payments in excess of 2 per cent of sales: hardware, mainly because of property and Federal income tax payments; plumbing and heating supplies, because of large Federal income taxes—perhaps because the reporting concerns happen to be exceptionally prosperous; machinery and equipment wholesalers, because of large payments on both Federal and State income taxes and on property; miscellaneous supply wholesalers, because of large payments on Social Security and property tax accounts.

Wider Margins

All four of the wholesale trades just cited involve such characteristics as heavy inventories, considerable handling, installation work, and others which involve either more capital investment or more labor than is usual in the wholesaling of staple commodities. Therefore they must sell on a wider margin. By the reasoning previously set forth, these relatively high ratios of tax payments to sales seem in line with expectation. Similarly, the lowest ratios of taxes are paid by two trades characterized by relatively narrow margins between cost and selling price: dairy products, in which the Social Security tax payment is exceptionally small and tax payments on the remaining six accounts are in general lower than average, and produce and fruit wholesalers, in which practically all varieties of tax payment are below the average for other wholesale trades.

Confectionery and tobacco wholesalers, with the lowest Federal income and Social Security payments recorded by any wholesale line and less than average tax payment ratios on most other accounts, would also show a low tax payment total were it not for almost 1 per cent of sales paid in sales taxes, probably State and local levies on tobacco, imposed at the wholesaling stage.

The story of variations in the tax payment ratios of individual concerns is quite a different thing from averages reflecting composite experience. Some enterprises paid no tax and some paid much more than the average amount on that particular tax account. Table V shows the prevalence of various types of tax payment among wholesalers in the several trades.

The most frequently-paid tax is Social Security, on which payments were reported by 91 per cent of the wholesale concerns. Next come Federal income taxes, reported by 73 per cent of the concerns; then, property taxes, reported by 66 per cent. Payments on the remaining three specific types of tax, State income, sales, and franchise, were reported by a minority of wholesalers.

The proportion of concerns paying any given tax is not the same in every trade, but the differences between trades are for the most part not spectacular. For instance, it does appear that Social Security tax payments are least frequent in those trades which naturally run to small establishments. Such a record appears in the confectionery, paint, paper, and dairy products wholesale lines. In all other trades, 90 per cent or more of the contributors paid this tax.

Sales Taxes

Sales taxes, for instance, are by far the most frequently reported among wholesalers of petroleum products, second most frequently by wholesalers of drugs and industrial chemicals. Other trades where a relatively high proportion of concerns pay sales taxes are as follows: alcoholic beverages, hardware, paint and varnish, automotive equipment, plumbing and heating supplies, machinery, miscellaneous supplies, and electrical goods. The taxation of liquor needs no comment, and all of the others are trades where a considerable proportion of goods is ordinarily sold to industrial customers and institutions for their use and may therefore be subject to sales taxes under many of the State laws.

Conversely a relatively low proportion of wholesalers of clothing and lumber pay sales taxes—in the first instance, because little clothing is sold direct to consumers by such houses, and, in the second, because the definition of lumber wholesalers used in classifying schedules in this Survey includes only such concerns as lumber importers and concerns selling almost exclusively to retail yards and large industrial customers. Almost none of the dairy products wholesalers reported

V. States Imposing Various Types of Taxes on Business—1938

	Tobacco	Alcoholic Beverages	Retail Trade	Gross Income (Sales)[1]	Business Income Taxes	Business Franchise Taxes[1]	Chain Store Taxes
NEW ENGLAND							
Maine		x				x	
New Hampshire		[2]			[5]	x	
Vermont	x	x			x	x	
Massachusetts		x			x	x	
Rhode Island		x				x	
Connecticut	x	x	[3]		[5]	x	
MIDDLE ATLANTIC							
New York		x	[7]		x	x	
New Jersey		x				x	
Pennsylvania	x	x	[3]		[5]	x	[8]
EAST NORTH CENTRAL							
Ohio	x	x	[4]		[6]	x	
Indiana		x	x	x		x	x
Illinois		x	x			x	
Michigan		[2]	x			x	x
Wisconsin		x			x	x	x
WEST NORTH CENTRAL							
Minnesota		x			x	x	x
Iowa	x	[2]	x		x		x
Missouri		x	x		x	x	
North Dakota	x	x	x		x		
South Dakota	x	x	x		x		x
Nebraska		x				x	
Kansas	x		x		x	x	
SOUTH ATLANTIC							
Delaware		x	[3]		[5]	x	
Maryland		x			x	x	x
Dist. Columbia		x	[3]			x	
Virginia		[2]	[3]		x	x	
West Virginia		[2]	x	x	[5]	x	x
North Carolina		x	[4]	x	x	x	x
South Carolina	x	x			x	x	x
Georgia	x				x	x	x
Florida		x	[3]			x	
EAST SOUTH CENTRAL							
Kentucky	x	x			x	x	[8]
Tennessee	x				[5]	x	x
Alabama	x	[2]	[4]		x	x	x
Mississippi	x		x	x	x	x	x
WEST SOUTH CENTRAL							
Arkansas	x	x	x		x	x	
Louisiana	x	x	[4]		x	x	x
Oklahoma	x		x	x	x	x	
Texas	x	x				x	x
MOUNTAIN							
Montana		x			x	x	x
Idaho		[2]			x	x	x
Wyoming		x	x			x	
Colorado		x	x		x	x	x
New Mexico		x	x	x	x	x	
Arizona	x	x	x	x	x	x	
Utah	x	[2]	x	x	x		
Nevada		x				x	
PACIFIC							
Washington	x	x	[4]	x		x	
Oregon		[2]			x	x	
California		x	[4]		x		

All States have a tax on gasoline.

[1] Manufacturers and wholesalers.
[2] State monopoly without gallonage tax.
[3] State has a sales tax at a low rate less than 1 per cent.
[4] Except foods. (Washington—limited)
[5] On corporations only.
[6] Applies only to income from intangibles.
[7] New York City imposes a sales tax on non-food items at a rate of 2 per cent of sale, which amounted to approximately $80 million in 1938.
[8] Declared unconstitutional in 1939.

VI. Proportion of Reporting Concerns Paying Various Taxes

	Returns Tabulated	Social Security Tax (Employers')	Federal Income Tax	State Income Tax	State and Local Sales Taxes	Property Taxes	Other Taxes and Licenses	Franchise and Chain Taxes[1]
	Number	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*
MANUFACTURING INDUSTRIES								
FOOD								
Baking and Confectionery	109	99	65	40	31	80	62	22
Distilleries and Wineries	13	92	77	31	77	85	85	46
Beverages, Non-Alcoholic	113	97	71	42	46	78	74	31
Dairies, Creameries, and Milk Dealers	274	95	63	30	37	92	83	19
Meat Packing	55	100	75	31	27	71	76	24
Ice Manufacturing	59	98	76	39	42	85	58	39
Flour and Feed Milling	107	92	65	22	46	92	69	36
Canning and Other Food Manufacturing	158	96	70	39	29	80	73	33
TEXTILES AND CLOTHING								
Textile Weaving	264	96	76	43	30	67	47	27
Clothing	155	97	73	36	33	51	43	24
Hosiery	35	91	83	43	14	71	49	31
FOREST PRODUCTS								
Lumber and Planing Mill Products	232	96	78	44	39	84	60	32
Furniture	115	98	68	36	35	77	50	27
All Other Forest Products	155	97	66	32	27	78	46	23
PAPER, PRINTING, AND PUBLISHING								
Paper and Paper Products (including boxes)	172	98	91	44	20	79	50	37
Printing and Binding (book and job)	562	90	59	28	40	67	45	24
Newspapers and Periodicals (large)	88	97	96	61	27	83	55	36
Newspapers (small) with Printing	175	90	39	17	31	74	32	13
CHEMICALS, DRUGS, AND PETROLEUM								
Industrial Chemicals and Chemical Products	116	96	82	38	38	64	53	34
Drugs, Perfumes, and Cosmetics	51	88	75	41	39	71	61	39
Paints, Varnishes, and Lacquers	44	98	96	36	48	68	64	36
Petroleum Refining	31	94	94	32	65	87	58	48
SHOES	98	98	68	40	22	64	40	25
STONE, CLAY, AND GLASS PRODUCTS								
Stone and Stone Products	180	97	67	32	39	82	57	28
Clay and Glass Products	97	100	79	34	36	76	50	28
IRON AND STEEL								
Iron and Steel Manufacturing and Products	324	98	82	34	35	80	54	33
Foundries	134	99	75	38	35	87	50	26
Hardware	188	97	85	41	25	81	35	30
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT								
Electrical Apparatus and Appliances	133	97	87	47	44	82	47	38
Machine Shop Products	182	96	67	32	37	81	55	19
Automobiles	7	100	100	57	100	100	71	71
Other Transportation and Agricultural Machinery	113	97	81	47	40	87	53	38
Engines and Machinery	264	100	86	47	39	81	55	39
MISCELLANEOUS								
Non-ferrous Metal Products	144	97	76	38	26	76	50	28
Tobacco Products	21	95	52	38	19	71	52	19
Breweries	20	90	85	35	95	75	85	10
Other Manufacturing	340	98	72	38	30	69	50	27
ALL MANUFACTURING	5,328	..	..	..	..	..	..	..
Reporting Amount of Tax Payments	..	96	73	37	35	77	53	29
Reporting Zero Tax Payments	..	3	5	30	61	7	45	70
Not Reporting	..	1	22	33	4	16	2	1
WHOLESALE TRADES								
FOODS AND BEVERAGES								
Confectionery and Tobacco Products	101	80	59	31	38	57	60	25
Dairy and Poultry Products	48	88	52	35	38	56	71	19
Groceries	175	94	82	49	38	76	71	39
Meats and Fish	68	94	63	27	40	62	69	28
Produce and Fruit	97	97	65	34	37	58	75	21
Alcoholic Beverages	53	93	68	40	42	60	87	13
DRY GOODS AND APPAREL	86	93	79	37	33	55	55	31
LUMBER, BUILDING MATERIALS, AND HARDWARE								
Lumber, Building Materials, and Fuel	118	93	89	54	27	62	53	29
Hardware	51	98	86	57	45	71	63	41
DRUGS								
Drugs and Industrial Chemicals	31	100	87	52	48	65	58	42
Paints and Varnishes	15	73	67	40	47	60	53	27

[1] For manufacturers and wholesalers this column lists Franchise taxes; for retailers, Chain Store taxes.

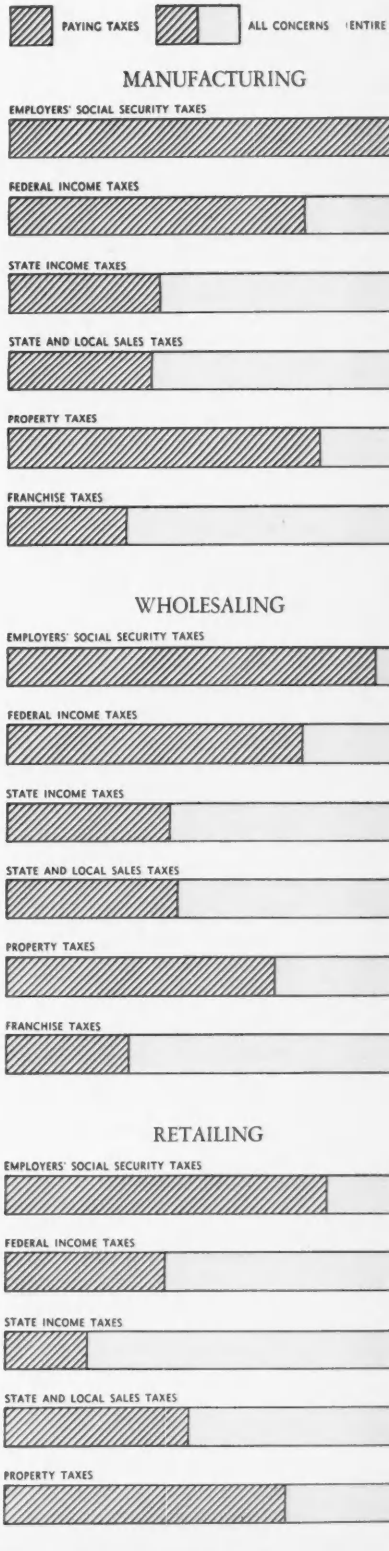
VI. Proportion of Reporting Concerns Paying Various Taxes *(Continued)*

	Returns Tabulated	Social Security Tax (Employers')	Federal Income Tax	State Income Tax	State and Local Sales Taxes	Property Taxes	Other Taxes and Licenses	Franchise and Chain Taxes[1]
	Number	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*
Wholesale Trades *(Continued)*								
PETROLEUM AND PETROLEUM PRODUCTS	116	91	73	41	69	92	69	30
AUTOMOTIVE EQUIPMENT	154	95	63	36	45	69	57	25
SUPPLY HOUSES								
Plumbing and Heating Supplies	104	95	79	36	46	60	61	30
Machinery and Equipment	65	95	92	54	40	82	75	43
Other Miscellaneous Supplies	168	91	71	30	48	52	55	35
ALL OTHER								
Electrical Goods and Appliances	93	97	81	50	46	62	63	26
Paper and Paper Products	56	79	75	39	41	57	52	32
Other Wholesaling	313	85	67	38	36	70	61	29
ALL WHOLESALING	1,912	..	..	..	..	..	..	..
Reporting Amount of Tax Payments	..	91	73	40	42	66	63	30
Reporting Zero Tax Payments	..	5	6	26	50	9	34	69
Not Reporting	..	4	21	34	8	25	3	1
Retail Trades								
FOOD								
Groceries (Independent)	621	45	14	9	45	65	70	..
Groceries and Meats (Independent)	1,133	73	20	10	50	70	76	..
Meats and Fish	156	87	20	14	35	55	71	..
Bakeries (Independent)	172	92	26	16	29	62	67	..
Other Food and Beverage Stores	251	80	27	18	42	65	71	..
FARM SUPPLIES, GENERAL STORES								
Country General Stores	1,529	58	21	11	45	76	74	..
Farmers' Supply Stores	706	86	48	20	46	82	62	..
Farm Implements	206	80	39	22	46	76	60	..
GENERAL MERCHANDISE GROUP								
Department Stores (Independent)	59	98	98	61	44	86	66	..
Mail-Order Houses	2	100	100	..	100	100	50	..
General Merchandise and Dry Goods	523	82	41	17	41	65	52	..
Variety Stores (Independent)	282	81	23	14	39	65	56	..
APPAREL GROUP								
Men's Clothing (with Furnishings)	431	86	53	24	46	60	46	..
Women's Clothing and Accessories (Ind.)	435	78	46	23	43	47	49	..
Family Clothing	184	85	44	25	40	54	50	..
Shoes (Independent)	252	76	40	28	39	64	46	..
FURNITURE AND HOUSE FURNISHINGS								
House Furnishings and Floor Covering	118	89	48	24	40	59	64	..
Radio, Electric, and Gas Household Appl.	377	80	37	20	48	51	60	..
Furniture	636	87	44	28	41	65	65	..
LUMBER, BUILDING MATERIALS, AND HARDWARE								
Lumber and Building Materials	1,197	93	72	33	42	86	61	..
Paint, Wallpaper, and Glass	158	82	39	20	44	61	64	..
Hardware	850	82	46	23	40	69	65	..
Hardware and Farm Implements	200	87	52	26	34	82	59	..
AUTOMOTIVE PRODUCTS								
Motor Vehicle Dealers	1,146	98	64	31	43	72	76	..
Automobile Accessories and Parts (Ind.)	281	89	48	23	49	64	60	..
Filling Stations	1,326	71	23	12	45	60	63	..
ALL OTHER								
Restaurants and All Other Eating and Drinking Places (Independent)	494	88	33	13	52	67	74	..
Drugs and Cosmetics (Independent)	791	82	35	16	50	69	74	..
Coal and Other Fuel	252	90	44	17	46	76	64	..
Florists and Nurseries	158	68	33	20	39	79	61	..
Jewelry	324	76	41	30	49	66	48	..
Stationery, Books, and Newsdealers	134	76	47	25	47	58	55	..
All Other Retail Stores	584	78	44	22	48	61	60	..
ALL RETAIL CHAINS	57	..	..	..	..	..	..	..
Reporting Amount of Tax Payments	..	100	90	71	71	80	81	68
Reporting Zero Tax Payments	..	0	7	24	19	15	19	12
Not Reporting	..	0	3	5	10	5	0	20
ALL INDEPENDENT RETAILERS	15,968	..	..	..	..	..	..	..
Reporting Amount of Tax Payments	..	79	39	20	44	69	65	0
Reporting Zero Tax Payments	..	17	32	43	44	22	32	..
Not Reporting	..	4	29	37	12	9	3	..

[1] For manufacturers and wholesalers this column lists Franchise taxes; for retailers, Chain Store taxes.

Proportion of Reporting Concern Paying Various Taxes

(Data for this chart is from table VI; full length bars equals 100; shaded area represents concerns p ing each tax; open area represents concerns wh reported not paying, together with concerns wh did not supply information on the particular ta



sales tax payments of any significance.

A relatively high proportion of petroleum wholesalers report property taxes, reflecting the fact that such a business cannot be set up in any convenient store or loft, but requires a special plant, ordinarily owned by the concern which operates it. Conversely, clothing, dry goods, and miscellaneous supply wholesalers, many of which carry on in rented quarters, report property taxes in only about half of the cases. Liquor wholesalers less frequently than other wholesalers report business franchise tax payments; but they more frequently reported license payments under the heading of miscellaneous taxes. Licenses were also frequently reported by wholesalers of produce and of machinery and equipment.

GENDREAU

RETAILING

FROM the survey data it appears that the retail trades paid $2.14 worth of taxes for each $100 of sales receipts, a payment ratio lower than prevailed among manufacturers, but somewhat higher than among wholesalers. About one-third of this tax amount is accounted for by State and local sales taxes which according to the survey comes to only 0.7 per cent of the country's total retail sales. This tax may be understated by the survey. Another third of the total tax payments is absorbed by the property tax and other State and local taxes, leaving the remaining third for payment of the employers' share of Social Security and the Federal income tax.

Ordinarily the retailers' tax payments rank in size as follows beginning with the largest:

State and Local Sales Taxes
Social Security—employers' share
Property Taxes average for all concerns
Federal Income Taxes
Total of miscellaneous licenses and taxes (the catch-all item in the survey schedule)
State Income Taxes

In the case of store owners, however, the property tax ratio ordinarily leads the field.

Among chain retail organizations the special chain store taxes in effect during 1938 in 21 States rank anywhere from fourth to sixth among chain organizations' tax payments, and their Federal Income tax ratios are relatively larger. As large organizations, their tax contacts are frequently more national than local.

The Federal income tax on corporations appears twice as heavy as on proprietors and partners except in the cases of meats and fish, independent bakeries, other food retailers, and motor vehicle dealers. No reasons can yet be assigned for these discrepancies. No general pattern appears from a comparison of State taxation of the net incomes of corporations and proprietors-partners. Regional tabulations to be published in later issues may throw light on this problem.

The above conclusions are based upon records of tax payments in 1938 submitted by over 16,000 retailers, as compared with about 7,000 returns available for tabulation in the preliminary report. This larger sample permits publication of estimates regarding tax payments of 42 types of retailing, in contrast to the 9 broad groups of trades possible in the earlier tabulation. The sales volume of these 16,000 retailers amounts to about 5 per cent of all retail trade, ordinarily ranging anywhere from a 2 per cent to a 16 per cent sample in various individual lines. The retailers include a delegation from every State, ranging from 28 Nevada concerns up to battalions of 1,000 each from Illinois and California. The percentage coverage of independent retail establishments in the several States is remarkably uniform for a voluntary sample.

Characteristic differences in tax payments appear between the various sizes of concerns, among the several trades, and even beyond that in the peculiarities of tax experience of individual enterprises.

In work sheet tabulations of the survey, grouping the independent retailers in 32 trades by size, there is a slight and not very convincing tendency for the large retailer to pay a bigger percentage of sales in taxes than the small concern. For instance, in 8 of the 32 trades the large enterprises commonly report a tax payment ratio 1.5 times as great as the small stores, yet in 4 trades the converse occurs to a similar degree; and in the remaining 20 trades there is no marked tendency for the total tax ratio to differ as between the large and small enterprises.

However, this story about total taxes conceals interesting and definitely significant cases of variation in other tax ratios, running in steady sequence from large to small concerns. For instance, in two-thirds of the trades partnerships and proprietors with sales volumes of more than $300,000 typically report eight or ten times as great a payment ratio on Fed-

eral income taxes as do the very small stores with less than $20,000 annual volume; and no trades reveal the reverse tendency. The same is true, but in only 12 trades, of State income taxes on unincorporated business. It seems likely that this reflects a greater proportion of profitable enterprises among the large concerns as well as progressive tax rates. Federal income tax payments by corporations suggests similar causal factors, with the large concerns in 20 trades typically paying three times as great a percentage of sales as the small ones. State income taxes on corporations, however, to such extent as they are imposed, result in about the same payment ratio regardless of size of concern.

Under the Social Security law exemption from the unemployment program of enterprises with less than 8 employees serves to decrease to a marked extent the payments of small retail enterprises, as compared with the payment ratio of large concerns. The employers' share of this tax in 27 of the 32 trades is five times as large a ratio to sales among big as it is among little concerns. Approximately the same thing is also true of the employees' share, upon which tabulations have been made but not published.

Balancing these instances are three types of taxes which often show, among retailers, a higher payment ratio among small concerns. Most conspicuous instance is found in the small package labelled "all other taxes and licenses" on the questionnaire returns. Since most license fees are a flat amount regardless of the amount of business done, they would amount to a greater percentage of sales volume in the case of a small store. In 20 trades the tax payment ratio on this account is commonly three times as big among small concerns as among the large.

The case of property taxes is similar. In 17 of the 32 trades they bulk twice as large in the expenses of the small retailer as they do in the case of his big brother. Perhaps this is a matter of efficient use of space, for it is a familiar fact that good management and favorable circumstances can double the volume of a store without change in location or square footage.

Inherent differences among the several retail trades are reflected by the variations in their tax payments. In round figures the payment ratios of the several trades range from 1 per cent for farmers' supply stores to 4 per cent of sales in the case of chain-operated eating and drinking places. More striking than the variation is the degree of uniformity of these tax payment ratios; considering the wide variations between trades in margins and therefore in the relative size of the fund available to pay taxes. One half of the trades (the "interquartile" group) have payment ratios falling between 2.0 and 2.7 per cent of sales.

Over Three Per Cent

Seven trades stand out at the top end of the list with percentage ratios of 3 per cent or more. They are: chain eating and drinking places, in which a relatively large part of the sales price is labor cost leading to heavy Social Security payments and in which the higher sales tax ratio may be the result of special luxury taxes on expensive meals in some States; independent eating and drinking places, which record the highest license tax expenditure of any trade and likewise a heavy sales tax ratio; independent department stores, most of which own their business quarters in expensive locations with proportionately high property taxes to pay; auto accessory chains, whose high payment ratio under Federal income tax suggests satisfactory earnings, more than balancing a very low property tax ratio; furniture, in which slow turnover and heavy investment results in a wide margin and practically every tax item runs above the average ratio to sales, though no one of the ratios is outstandingly high; house furnishings, in which the story is much the same as for furniture; chain bakeries, whose Federal income tax likewise suggests better than average earnings and whose large Social Security payments are in line with the heavy labor content in baked goods.

In terms of tax payment ratios the low end of the list is occupied by the following four trades: farmers' supply stores, in which the small average size of establishment, rapid turnover, and low margin make for small Social Security payments, in addition to which the payment ratios on practically every other tax account are below average; independent grocers, in which the small average size of establishment and high rate of turnover lead to a very low ratio of Social Security tax payment, food exemptions keep down the sales tax ratio, and neighborhood locations minimize the property tax ratio; mail order houses, in which the survey ratios are based on two organizations not operating retail stores; although this is not a broad sample, these houses are relatively large; their low total tax ratio is the result of relatively small payments on State and local sales taxes, absence of any State income tax payments, and a low property tax ratio; meat and fish retailers, in which a very low average Federal income tax payment ratio may nevertheless accompany a satisfactory rate of earnings on investment, because of rapid turnover.

In addition to these instances of high and low total tax ratios, the group of miscellaneous food and beverage stores stands out with a high license tax payment, undoubtedly the license fees of packaged liquor stores. Florists and nurseries, with the latter predominant in the survey sample, record the highest property tax ratio of any trade.

All of the average payments tabulated are built upon individual records of tax payment, which for any given tax range all the way from no payment to payment ratios several times as large as the average. And though these prickling needles of exceptionally high taxation are difficult to find in the haystacks of questionnaire returns and must be kept out for study at a later date, it is possible to show the number of concerns paying and not paying the

various taxes. Most pervasive of all the taxes analyzed is Social Security, on which about 8 out of every 10 retailers make payments. Next in line are the proportion of property tax payers—7 of every 10 retailers, and close behind that the proportion of retailers having some miscellaneous taxes or licenses to report.

Only a minority of retailers enjoy profits large enough to be reached by income taxation. Four out of 10 pay Federal income taxes, but only half as many pay State income taxes—the latter in line with the fact that one-third of the States do not levy an income tax.

Almost half of the States have sales taxes in force, and the survey obediently reports almost half of the retailers making some payments as "deputy revenue collectors" for such taxes.

Again, as in other tabulations, differences between the several trades stand out and in a number of instances furnish background to explain the low and high tax payment ratios previously discussed. For instance, only 14 per cent of the independent grocers pay Federal income taxes, even fewer pay State income taxes, and less than half of them were eligible for the otherwise nearly universal Social Security tax. At the other extreme are independent department stores, practically all of which pay Social Security and Federal income taxes, with a majority of them reporting every other variety except sales tax.

The number of chain organizations whose tax records are available in each trade is relatively small, but the broad range of their operations makes it logical that 70 or more per cent of them pay something on every type of tax.

DEFINITIONS OF TERMS USED IN THIS REPORT

THE following definitions have been adhered to in planning the Survey, editing the returns, and commenting upon the results. Some of them appeared on the questionnaire form as instructions to contributors.

TOTAL TAXES: The figures in the first column of table IV represent percentages of sales paid out on all tax accounts except employees' share of Social Security contributions. In arriving at these totals the "weighted average for all concerns" (see Federal Taxes on Business Income—Average for All Concerns) was used in the three instances: Federal income taxes, State income taxes, and property taxes. As a statistical test of these "totals of averages" an unpublished set of "averages of totals" were computed from the small number of returns on which every item appeared to be filled in correctly. The check was satisfactory, since the two sets of figures were in close agreement.

SOCIAL SECURITY TAXES OR CONTRIBUTIONS: The amount under this heading includes both old age and unemployment levies, paid to both Federal and State Governments. The employers' share of this tax is referred to in the text and tables unless otherwise specifically noted. Data on the employees' share were gathered and tabulated, but not published. Comments regarding this appear in the text.

FEDERAL TAXES ON BUSINESS INCOME—CORPORATIONS: Data as tabulated include all payments by corporations to the Federal Government on account of income, undistributed profits, corporation capital stock, and excess profits taxes. The capital stock tax, though based on declared capitalization rather than profit, is included to provide a total of all Federal general taxes on corporations.

FEDERAL TAXES ON BUSINESS INCOME—PARTNERSHIPS AND PROPRIETORS: Income tax payments of all unincorporated business have been tabulated under this heading. Business men having incomes from other sources than the specific enterprise reported were asked to divide the total tax proportionately and enter only total individual taxes paid on income from the enterprise in question. Unincorporated enterprises with less than $5,000 gross margin (difference between sales and cost of goods or materials, estimated from various business surveys) were assumed to have paid no income tax unless specific amount was shown on the return.

Returns so edited still include taxes on the unknown proportion of the business income of proprietors which could rightly be allowed as salary for personal services. The same salary, if the concern were incorporated, would not be part of the corporation's taxable income. To this extent the Survey overstates the income tax payment ratio of unincorporated enterprise.

FEDERAL TAXES ON BUSINESS INCOME—AVERAGE FOR ALL CONCERNS: This is an average of the corporation and unincorporated business income taxes weighted according to the aggregate sales volumes of these two groups. In many manufacturing industries, consisting primarily of corporations, this ratio closely resembles the corporation income tax ratio. In retail trades dominated by partnerships and proprietors, the weighted average more closely approaches the ratio for unincorporated business. Income taxes were computed as percentages of 1937 sales because the tax paid during 1938 was based on 1937 operations.

SALES AND EXCISE TAXES ON OUTGOING GOODS—FEDERAL: The Federal Government imposed, during part or all of 1938, excise taxes payable by the manufacturer on his domestic output of the following products:

Adulterated butter
Alcoholic beverages
Automobile accessories
Automobile chassis and bodies
Cameras and lens
Chewing gum
Cocoanut oil
Filled cheese
Firearms and ammunition
Furs
Gasoline
Lubricants
Matches
Mixed flour
Mechanical refrigerators
Narcotics
Oleomargarine
Other processed oils
Playing cards
Phonograph records
Process or renovated butter
Radio parts
Sporting goods
Tires and tubes
Tobacco products
Toilet preparations

Most important of these taxes in dollar volume and in ratio to sales of their respective industries are levies on tobacco, alcoholic beverages and gasoline.

For these three types of manufacturing and for all other industries where excise taxes are substantial amounts, the Federal excise taxes have been added to the total dollar value of products to determine the total receipts of each industry as a base for measuring taxes. This adjustment insures comparability with the dollar sales figures used in measuring tax ratios for the other industries and trades in our tabulations upon which no excise taxes are imposed.

This heading does not specifically include duties on imports, because relatively few importers were covered by the Survey and duties vary widely according to commodities handled. No separate tabulations are presented for importing trades. Federal excises, as limited by this definition, are collectible only from manufacturers; the equivalent column is not shown in the tabulation for wholesale and retail trade.

TOTAL STATE AND LOCAL TAXES: This column in table V is a total of the average payment ratios on all taxes paid to State and local governments except the State share of Social Security taxes, which has not been separated from the Federal. In computing these totals the weighted "average for all concerns" was used from the State income and property tax columns.

STATE INCOME TAXES: Regardless of local or legal description, those States (checked in column 6 of table V) which impose taxes based upon business net income were considered for purposes of the present study as having State income taxes. Returns were edited and adjusted accordingly. (Gross income taxes, based on the dollar volume of sales or receipts, were considered as sales taxes, regardless of name.) Returns from corporations and from partnerships or proprietors were separately tabulated, the percentages were computed against 1937 sales, and the weighted averages were arrived at all in the same manner as in the case of the Federal income tax.

SALES AND EXCISE TAXES ON OUTGOING GOODS—STATE AND LOCAL: A tally of State levies on tobacco, liquor, and gasoline and on all retail trade appears in columns 1 to 4 in table V. In addition, municipal retail sales taxes were in force during 1938 in New York, Philadelphia, and New Orleans. Gross income and turnover taxes imposed by States on wholesalers and manufacturers were considered as sales taxes. (See column 5, table V.) The instruction to contributors limiting reportable taxes to those "paid by you *direct to a government body*" was supplemented by rigid editing of returns to correct errors of omission and commission. For instance, a retailer could not have paid directly a liquor tax which is specifically collectible in his State at the wholesaling stage, nor was any retailer's return used in the sales tax tabulation if he failed to show a sales tax payment in a State where a general sales tax is in force.

State and local excise taxes on petroleum and alcoholic beverages—like Federal excise taxes—were added to the dollar value of products sold in order to determine the total receipts of these

trades or industries as a base for measuring taxes. (See definitions of sales and excise taxes on outgoing goods—Federal.)

PROPERTY TAXES—OWNERS: The contributor's own classification of himself as owner or renter was accepted in making these separations. It seems likely that some owners of store or plant may also be renting warehouse or additional needed space. Therefore, the distinction may not be absolute. Contributors were asked to omit payments of special assessments for improvements adding to property values and to report taxes on business property only. Under this instruction, a retailer letting out a residence apartment above his store would report only that part of his real estate tax which should be pro-rated against the store.

PROPERTY TAXES—RENTERS: It seems probable that renters' property taxes are confined to assessments on equipment and inventory, plus taxes on intangible personal property in those States or communities where such are successfully collected.

PROPERTY TAXES—AVERAGE FOR ALL CONCERNS: This weighted average is arrived at in the same manner as the similar values described above in connection with Federal income taxes.

BUSINESS FRANCHISE TAXES: States imposing business franchise taxes on some or all types of manufacturers and wholesalers are tallied in column 7 of table V. This classification includes such items as State capital stock levies, but excludes sales taxes and taxes on business net income. Business franchise tax payments were so rarely reported by independent retailers that no average values are shown in the tables.

CHAIN STORE TAXES: States imposing graduated taxes on chain store units are tallied in the last column of table V. The usual ratio of such tax payments to sales volume is shown in table IV for those retail trades where chain retailing is important.

ALL OTHER TAXES AND LICENSES: The miscellany of taxes reported under this heading is impossible to describe since few contributors gave details. In general the total was small, and is believed to consist almost entirely of State and local levies. Contributors were not asked to report the amount of sales tax paid on gasoline and other commodities consumed. The Survey asks data on those taxes at point of actual payments to government bodies (see Sales Taxes), and a second report would constitute "double counting." Licenses on the privilege of doing business are widely imposed in order to cover cost of inspection or establish control over establishments selling prepared food, liquor, gasoline, narcotics, and tobacco. These represent such a complication of Federal, State and local

(Continued on page 49)

VII. ANALYSIS OF SAMPLE OF REPORTING CONCERNS

MANUFACTURING INDUSTRIES	Concerns *Number*	1937 SALES *Millions of Dollars*	1937 SALES Share of U. S. Total *Per Cent*
FOOD			
Baking and Confectionery	109	* 115	6.1
Distilleries and Wineries	13	35	11.6
Beverages, Non-Alcoholic	113	21	7.4
Dairies, Creameries, and Milk Dealers	274	324	18.9
Meat Packing	55	204	6.5
Ice Manufacturing	59	5	3.5
Flour and Feed Milling	107	241	18.3
Canning and Other Food Manufacturing	158	191	7.7
TEXTILES AND CLOTHING			
Textile Weaving	264	355	8.5
Clothing	155	44	1.7
Hosiery	35	81	22.3
FOREST PRODUCTS			
Lumber and Planing Mill Products	232	92	7.8
Furniture	115	42	6.3
All Other Forest Products	155	19	3.2
PAPER, PRINTING, AND PUBLISHING			
Paper and Paper Products (including boxes)	172	312	15.1
Printing and Binding (book and job)	562	58	4.9
Newspapers and Periodicals (large)	88	51	3.7
Newspapers (small) with Printing	175	3	9.5
CHEMICALS, DRUGS, AND PETROLEUM			
Industrial Chemicals and Chemical Products	116	192	8.0
Drugs, Perfumes, and Cosmetics	51	118	24.2
Paints, Varnishes, and Lacquers	44	25	4.7
Petroleum Refining	31	994	38.4
SHOES	98	74	7.7
STONE, CLAY, AND GLASS PRODUCTS			
Stone and Stone Products	180	133	30.3
Clay and Glass Products	97	55	5.4
IRON AND STEEL			
Iron and Steel Manufacturing and Products	324	504	8.7
Foundries	134	47	11.8
Hardware	188	125	12.8
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT			
Electrical Apparatus and Appliances	133	401	17.2
Machine Shop Products	182	31	2.9
Automobiles	7	192	6.2
Other Transportation and Agricultural Machinery	113	643	15.8
Engines and Machinery	264	354	16.0
MISCELLANEOUS			
Non-ferrous Metal Products	144	271	9.7
Tobacco Products	21	32	2.5
Other Manufacturing	360	341	12.0
ALL MANUFACTURING	5,328	6,725	11.1
WHOLESALE TRADES			
FOODS AND BEVERAGES			
Confectionery and Tobacco Products	101	55	5.0
Dairy and Poultry Products	48	28	4.2
Groceries	175	153	6.7
Meats and Fish	68	22	3.3
Produce and Fruit	97	50	4.2
Alcoholic Beverages	53	21	2.1
DRY GOODS AND APPAREL	86	30	2.1
LUMBER, BUILDING MATERIALS, AND HARDWARE			
Lumber, Building Materials, and Fuel	118	59	5.2
Hardware	51	28	5.0
DRUGS			
Drugs and Industrial Chemicals	31	42	5.1
Paints and Varnishes	15	4	4.9
PETROLEUM AND PETROLEUM PRODUCTS	116	34	19.5
AUTOMOTIVE EQUIPMENT	154	25	4.8
SUPPLY HOUSES			
Plumbing and Heating Supplies	104	37	9.7
Machinery and Equipment	65	36	5.9
Other Miscellaneous Supplies	168	34	5.0
ALL OTHER			
Electrical Goods and Appliances	93	27	2.9
Paper and Paper Products	56	24	4.6
Other Wholesaling	313	109	1.4
ALL WHOLESALING	1,912	827	3.6
RETAIL TRADES			
FOOD			
Groceries (Independent)	621	19	1.2
Groceries and Meats (Independent)	1,133	61	2.1
Groceries and Meats (Chains)	8	35	1.3
Meats and Fish	156	7	1.1
Bakeries (Independent)	172	7	10.5
Bakeries (Chains)	4	11	16.8
Other Food and Beverage Stores	251	10	0.6
FARM SUPPLIES, GENERAL STORES			
Country General Stores	1,529	54	4.3
Farmers' Supply Stores	706	90	12.3
Farm Implements	206	16	8.4
GENERAL MERCHANDISE GROUP			
Department Stores (Independent)	59	71	3.1
Department Stores (Chains)	10	170	10.8
Mail-Order Houses	2	*	*
General Merchandise and Dry Goods	523	32	5.2
Variety Stores (Independent)	282	7	7.4
Variety Stores (Chain)	13	346	43.1
APPAREL GROUP			
Men's and Boys' Clothing and Furnishings	431	31	3.9
Women's Clothing and Accessories (Ind.)	435	23	2.9
Family Clothing	184	15	3.8
Shoes (Independent)	252	8	2.8
Shoes (Chains)	3	*	*
FURNITURE AND HOUSE FURNISHINGS			
House Furnishings and Floor Coverings	118	7	3.2
Radio, Electric, and Gas Household Appliances	377	16	14.2
Furniture	636	51	5.4
LUMBER, BUILDING MATERIALS, AND HARDWARE			
Lumber and Building Materials	1,197	156	12.6
Paint, Wallpaper, and Glass	158	5	3.1
Hardware	850	43	6.1
Hardware and Farm Implements	200	13	3.3
AUTOMOTIVE PRODUCTS			
Motor Vehicle Dealers	1,146	203	3.9
Automobile Accessories and Parts (Ind.)	281	14	6.0
Automobile Accessories and Parts (Chains)	3	*	*
Filling Stations	1,326	58	2.2
ALL OTHER			
Restaurants and All Other Eating and Drinking Places (Independent)	494	19	0.8
Restaurants and All Other Eating and Drinking Places (Chains)	10	42	16.8
Drugs and Cosmetics (Independent)	791	24	2.2
Drugs and Cosmetics (Chains)	6	196	53.5
Coal and Other Fuel	252	18	1.7
Florists and Nurseries	158	4	3.6
Jewelry	324	12	4.3
Stationery, Books, and Newsdealers	134	5	3.3
All Other Retail Stores	584	204	...
ALL RETAILING	16,025	2,101	5.3

* Omitted to avoid disclosure of individual sales volumes.

PLATINUM-LEAF COATED SCULPTURE, NEW YORK WORLD'S FAIR—PHOTO, THE INTERNATIONAL NICKEL CO., INC.

PLATINUM—A METAL WHICH CLIMBED THE LADDER

J. V. SLATTERY

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IN THE world's snobbishness which extends even to inanimate things some metals are noble and some are base. Among the metals which today are called noble, platinum is the man who made good, the stock-boy who became president.

In the esteem of Spanish explorers seeking gold in this hemisphere platinum was worthless. Later, when explorers did carry some back to Iberia, counterfeiters coated it with gold and at very small cost made coins which served their ends most profitably. Such counterfeiting resulted in an edict which forbade its importation into Spain and Portugal. A century ago its future was still unrevealed; it could be purchased in New York for 34 cents a troy ounce. Yet now in 1939 there are those who weigh its purchase as an easily-stored hedge against inflation. It is selling currently for about $35 a troy ounce.

The hundred-fold increase in value in little more than a hundred years reflects the fact that extensive practical use of platinum is a comparatively new development. In its pure form and in controlled-content alloys it is the product of chemistry, and that young and expanding industry is one of its best customers. Its fortunes have been linked, too, with those of the relatively youthful electrical industries. Its general application in dentistry is new within the years of the twentieth century, and before 1906 platinum was merely something to which jewelers didn't give much thought. In 1937 the value of the platinum used in these four industries alone was about $4,600,000, divided in this manner: jewelry, $2,580,000; chemistry, $950,000; dental supplies, $580,000; electrical apparatus, $490,000.

Just what is this metal with a pauper-to-prince history? What properties and characteristics give it its value? What applications has it had? Where has it been found, and in what quantities? And how have these applications (demand) and discoveries (supply) been reflected in its price?

A curiosity of the New World, where it had been made into ornaments by the Indians, platinum first was seen in Europe early in the sixteenth century. It became a source of considerable worry. Nothing could be done with it. It could not be melted, nor could it be dissolved by any known process. Furthermore it could be used as a counterfeit of gold. Thus misused it acquired the name *platina,* the diminutive of plata, the Spanish word for silver. In fact, *platina* it remained until about 50 years ago.

Evidently the first large quantity of platinum to reach England arrived in 1741. In 1750 the properties of the metal were described at some length by two British scientists. Their description aroused interest and led to further investigation of the properties of the metal. Toward the end of the eighteenth century it became clear

from British and French research that platinum might one day have practical value—if only it could be domesticated. Resistant to acids and seemingly impossible to melt, but nevertheless malleable, platinum would be useful in chemical and metallurgical instruments. That much was plain. But what after that?

This is what confronted scientists of 150 years ago: Crude platinum is usually found in rounded or flattened grains, occasionally in lumps the size of peas; larger nuggets are very rare. The ore has a metallic lustre and is distinguished by its steel-gray color and a shining light gray streak when rubbed on a hard surface. It has a high specific gravity (16 to 19 times as heavy as water), is extremely ductile (one ounce can be stretched into a virtually invisible wire nearly 11,000 miles long), is insoluble in any single acid, and is infusible in the hottest blast furnaces.

The conquest of platinum lingered for some time in an elementary stage; ore was heated to a white heat and pressed in an iron mold. There was no important change in the method of manufacture until Dr. Robert Hare, of Philadelphia, developed the oxy-hydrogen torch, in which oxygen and hydrogen combine with great heat into their common compound of water. Here at last was heat which would melt platinum; it is the method still used today.

Allied Metals

Meanwhile chemical research was revealing that platinum actually contained several allied elements. Ultimately the six in the platinum group, all possessing a high melting point and notable resistance to corrosion, stood clear—platinum, palladium, iridium, rhodium, osmium, and ruthenium. The first two are the most abundant, even though they are about 100 times as rare as gold. Both have about the same qualities and are most applicable to general use. They are hardened by alloying them with small percentages of iridium or rhodium, or with the brittle osmium or ruthenium.

Most important in the purchase of platinum for the last several years has been the jewelry industry, which uniformly accounts for about half of the annual consumption. Platinum bracelets, rings, watchcases, medals, trophies, and even platinum after-dinner coffee services are no longer hard to find. And there is little doubt that the metal's brilliance, workability, and strength when alloyed are qualities which commend themselves to such use.

But surely those are not the only attributes which account for these watches and rings, or for the mounting for the State Crown which the Queen of England wore at the last coronation. Equally important is its rarity as compared with gold and its market value.

I. Consumption of Platinum and Related Metals in the United States by Industries[1]

(In Troy Ounces)

	Platinum	Iridium	Palladium	Others	Total	Share of Total
	Ounces	*Ounces*	*Ounces*	*Ounces*	*Ounces*	*Per Cent*
1933						
Chemical	14,085	82	338	173	14,678	14
Electrical	3,422	526	5,367	30	9,345	9
Dental	11,149	116	15,946	19	27,230	25
Jewelry	41,263	3,608	4,413	508	49,792	46
Miscellaneous	6,274	144	100	258	6,776	6
	76,193	4,476	26,164	988	107,821	100
1934						
Chemical	14,699	53	285	89	15,126	16
Electrical	3,587	544	4,468	59	8,658	9
Dental	6,776	69	19,555	11	26,411	28
Jewelry	32,959	2,246	6,015	380	41,600	43
Miscellaneous	3,113	164	506	326	4,109	4
	61,134	3,076	30,829	865	95,904	100
1935						
Chemical	13,404	102	69	1	13,576	11
Electrical	5,867	662	5,490	276	12,295	10
Dental	9,694	130	20,916	43	30,783	25
Jewelry	56,182	3,508	5,095	579	65,364	52
Miscellaneous	2,505	95	200	246	3,046	2
	87,652	4,497	31,770	1,145	125,064	100
1936						
Chemical	20,984	131	124	256	21,495	13
Electrical	8,750	894	13,297	367	23,308	14
Dental	14,489	148	25,481	26	41,144	25
Jewelry	50,936	3,100	5,778	1,066	60,880	37
Miscellaneous	16,288	117	859	756	18,020	11
	112,447	4,390	45,539	2,471	164,847	100
1937						
Chemical	18,300	106	170	223	18,799	11
Electrical	9,465	972	20,854	356	31,647	18
Dental	11,115	117	40,214	19	51,465	30
Jewelry	49,848	2,764	8,277	932	61,821	36
Miscellaneous	7,223	45	55	1,075	8,398	5
	95,951	4,004	69,570	2,605	172,130	100

[1] Source: U. S. Bureau of Mines.

II. Prices of Platinum, Yearly Averages at New York[1]

(In Dollars Per Troy Ounce)

Year	Dollars	Year	Dollars
1914	45.14	1927	84.64
1915	47.13	1928	78.58
1916	83.40	1929	67.66
1917	102.82	1930	45.36
1918	105.95	1931	35.67
1919	114.61	1932	36.46
1920	110.90	1933	30.99
1921	75.03	1934	36.47
1922	97.62	1935	34.15
1923	116.54	1936	42.93
1924	118.82	1937	51.77
1925[2]	119.09	1938	35.90
1926	113.27	1939[3]	34.89

[1] Source: *Engineering and Mining Journal.*

[2] Although the highest yearly average occurs in 1925, the highest monthly average, $154.23, was in January of 1920.

[3] First five months.

Paradoxical it is that the major consumer of platinum (table I) is in some part the major consumer because in the interaction of supply and demand lesser consumers—the chemical, dental supply, and electrical industries—bid up the price.

Second in rank as a buyer of platinum metals is the chemical industry, which finds equipment fashioned from them indispensable in much of its research. Delicate equipment able to maintain, withstand, and record intense heat; crucibles for fusing refractory materials; fine gauze for catalyzers, and cones and finely perforated discs for filtering—all play important rôles in the exacting conditions and operations of the laboratory. And so, indirectly, platinum has a place in the production of steel, non-ferrous metals, foodstuffs, textiles, cement, ceramics, leather, and oil. Then, too, for better or worse and magically without the use of any platinum at all, chemistry even gives us platinum blondes.

Dentistry places third in consumption of platinum, and first in palladium, favoring them for their corrosion resistance and excellent mechanical properties. Aided not a little by the rise in the price of gold, in recent years platinum metal alloys have forged ahead in the intricate field of dental metallurgy. Literally dozens of alloys of platinum-gold, silver-palladium, gold-palladium, and iridio-platinum are used for spring wire, bands, inlays, and dentures.

Only the fourth largest consumer of platinum and second of palladium, the electrical industries have put platinum metals to uses which are perhaps the most stimulating of all to the imagination. The invention of the telegraph, telephone, incandescent lamps, x-ray, radio, and television were greatly assisted by and in some cases only made possible by the platinum metals. At this moment iridium may be working in the magnetos of the China Clipper. Rhodium makes possible the non-tarnishable surface for the metal reflectors in the 60-inch searchlights used by the United States Army and Navy.

Platinum metals provide contacts for thousands of telephone relays, all of which must operate infallibly year after year. They are in the thin strip of metal which, as the temperature rises and falls, makes and breaks electric contact in your thermostatic heat control. They are in the contact through which a left or right turn is indicated on the rear light of your new car.

Beyond these four industry classifications it is difficult to hem in by organizational pigeon-holes the manifold uses to which platinum and its relatives are put.

The lightning rods of Washington Monument are coated with platinum. Palladium leaf embellishes many things from grand salons of ocean liners to picture frames, signs, statuary, and women's shoes and other wearing apparel. Platinum and palladium-decorated furniture has found a market. In Russia, platinum has been used for coinage and as a bank reserve. In this country, where it is illegal to hoard gold, investors from time to time have had their attention drawn to the possibilities of platinum as a hedge against inflation.

Moreover platinum metals are to be found in tips for fountain pens, hypodermic needles, and cautery tips. In wartime, peaceable watches and engagement rings become sparking points in flying fortresses, fine fuse-wire in torpedos, and an agent in the manufacture of nitric and sulphuric acid, used together in making explosives.

New industries, too, arise from time to time to place new demands on them. Because platinum and palladium are unexcelled in spinnerets—small cups pierced with a multitude of hair-fine

(Continued on page 46)

In many ways the twin-metal of platinum, palladium has its decorative uses too, as here on the lighting fixtures in the Iridium Room of New York City's Hotel St. Regis.

THE INTERNATIONAL NICKEL CO., INC.

THE BUSINESS DIARY MAY · 1939

Bituminous and anthracite coal pacts result in CIO "closed shop" for large part of the industry. . . . Cotton remains major domestic problem. . . . Possibilities of Anglo-French-Soviet accord wax and wane almost daily as negotiations continue throughout the month. . . . Headlines about visit of British King and Queen are welcome relief from usual tense European news.

1 STOCK market lethargical in third dullest session in seventeen years. "Cash and carry" section of Neutrality Act expires. Daniel C. Roper named Minister to Canada.

3 STOCKS rise to highest levels since March. House approves President's first Reorganization Order, consolidating scores of bureaus. Litvinoff retires as Soviet Foreign Commissar; Premier Molotoff appointed to post.

5 APPALACHIAN soft coal strikers joined by 130,000 Western miners.

6 KING GEORGE VI and Queen Elizabeth sail for Canada.

9 PRESIDENT demands soft coal conferees end mine shutdown.

10 SENATE rejects export cotton subsidy in test vote.

11 SOFT coal deadlock broken. Prices of all grains soar to seasonal highs.

12 SENATE sanctions Government Reorganization Plan No. II, regrouping executive bureaus and agencies among executive departments; stampedes economy forces by passing record $1,218,666,572 Farm Bill. Britain and Turkey announce pledge for mutual aid in Mediterranean area.

13 KENTUCKY calls militia as coal men refuse to sign "union shop" agreement.

14 MUSSOLINI declares war unjustifiable now.

15 SUPREME COURT upholds Wallace procedure in stockyard case; supports Government in "hot oil" suit under Connally Act extension. Most of nation's bituminous coal mines reopen. CIO files $7,500,000 suit against Republic Steel Corporation for back wages during 1937 strike. Oil concerns convicted in Madison anti-trust suit last July, begin appeal. CIO forms big textile union by merger of TWOC and UTW of A.

16 FOOD stamp plan for distribution of farm surplus commodities initiated in Rochester, New York. Richard C. Patterson resigns as Assistant Secretary of Commerce, effective July 15.

17 BRITAIN issues plan for Palestine State with permanent Jewish minority.

18 JEROME N. FRANK elected SEC chairman.

19 JAPANESE yen slumps below Chinese dollar in Shanghai.

20 FIRST "union shop" contract signed in Harlan dispute. Yankee Clipper inaugurates Atlantic air mail service between United States and Europe on twelfth anniversary of Lindbergh's flight.

22 SUPREME COURT broadens Gold Clause Resolution of 1933 to bar payment of obligations in foreign gold; rules salaries of Federal judges appointed after June 6, 1932, are subject to Federal Income tax. Germany and Italy sign ten-year alliance for action in peace and war.

23 REPUBLIC STEEL files $7,500,000 counter suit against CIO. FCC restricts broadcasts to other lands to those reflecting culture or promoting international goodwill.

24 BRIGGS' strike in Detroit makes 70,000 automotive workers idle.

27 TWO-YEAR hard coal pact approved, providing CIO "union shop" for 100,000 Pennsylvania miners. Morgenthau urges tax revision plan before House Committee.

29 SUPREME COURT increases powers of States to impose death taxes, permitting levies on intangible property by State where deceased lived and by State where property is located; sustains New Jersey personal property assessment on insurance companies incorporated there with headquarters in New York. Pennsylvania legislature outlaws sit-down strikes. National banks' assets and deposits reach record total.

31 EASTERN railroads volunteer reduction in round-trip passenger fares on sliding scale with 1.7c. per mile low. United States invites leading cotton exporting countries to international conference September 5. Mexico makes first payment to United States for expropriated lands.

FREIGHT TRAIN AT WALDWICK, N. J.—GALLOWAY

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

The business situation took on a somewhat healthier tone during May and the first part of June. Contributing factors were settlement of the coal strike, the at least temporary allaying of European war fears, and the advance in security prices. Trade activity was well sustained as warm weather arrived. Caution still prevailed in placing future orders.

SUBJECTIVE FACTORS, as well as purely economic ones, continue to be important in the appraisal of current business sentiment. The net result of all considerations, psychological and otherwise, points to a somewhat firmer economic structure during May and early June than had existed in the weeks immediately preceding. Important checks to improvement—the coal strike, war fears, and uncertainties as to the course of domestic political activities—were either removed or considered less menacing. No great tendency toward planning for very far in the future was evidenced, but conditions were definitely more stable, and there were some indications of gains in activity.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	101
February	94	116	79	98
March	93	118	79	98
April	101	116	77	92
May	101	118	76	92
June	104	114	77	
July	106	114	83	
August	108	117	88	
September	109	111	91	
October	110	102	96	
November	114	88	103	
December	121	84	104	

By the middle of June, no immediate prospects of a European war were in evidence, and business generally tended to look upon the incipient armaments boom abroad as at least temporarily stimulating to domestic activity. Labor troubles in the bituminous coal industry were settled, permitting industries dependent on coal to move forward once more. The automobile strike which developed at the Memorial Day holiday was too localized to affect industry in general. Warm weather stimulated department store and automobile sales. Stock prices and high grade bond prices rose. All in all, there was sufficient reason for a general improvement in the business outlook.

Factory Payrolls

U.S.B.L.S. Index (Revised)
1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	83.4
February	76.6	99.7	76.9	85.5
March	80.3	105.5	77.1	86.9
April	82.3	109.3	74.6	85.0
May	83.9	109.7	72.9	
June	84.1	107.0	70.8	
July	83.4	104.6	70.6	
August	87.1	108.2	76.9	
September	86.6	104.4	81.0	
October	92.5	104.5	83.8	
November	94.0	92.9	84.1	
December	98.8	84.2	86.5	

The adjusted index of industrial production at 92 for May was unchanged from the April level. Activity during the first part of May was below the previous month because of the low volume of coal output, and the increase in activity which took place in the latter half of the month was insufficient to overcome that handicap.

Steel operations in May were scheduled at the lowest monthly rate since September 1938. Output averaged about 48 per cent of capacity, compared with 51 per cent in April and 30 per cent in May 1938. During the last week of May and the first part of June, however, the steel rate advanced to about 54 per cent of capacity, then levelled off. Increased activity in shipbuilding and airplane manufacturing was in part responsible for the increased steel demand. Pig iron production increased in May; five more furnaces were in blast than in the previous month.

Bituminous coal production steadily increased after the resumption of mining activities, and in the week ended May 27 amounted to about 6,000,000 tons. The index of machine tool orders rose to 219.8 per cent of the 1926 level, compared with 155.6 per cent in April.

Carloadings of freight other than coal were 13 per cent above a year ago for the four weeks ended May 27. Miscellaneous freight showed a gain of 15 per cent. Among the important increases were ore and forest products. Freight revenues of Class I railroads were 9.9 per cent above a year ago, but about 35 per cent below May 1930.

Consumers' goods industries in general continue to be stronger than producers' goods. Automobile production during the week ended May 27 showed a contra-seasonal rise, and for the month as a whole totalled about 300,000 units. Deliveries were sustained at a relatively high rate during the month, and stocks in the hands of dealers were reduced somewhat. New passenger car registrations in fourteen States were sharply higher in May on a seasonally adjusted basis.

Cotton consumption in May amounted to 605,353 bales, as compared with 426,149 in the same month of 1938. Silk deliveries were the lowest for any May

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	81	93	90	88
February	83	95	88	87
March	84	93	86	88
April	84	93	83	88
May	87	93	78	85
June	87	93	82	
July	91	94	85	
August	86	92	83	
September	88	94	86	
October	90	93	84	
November	94	91	89	
December	92	89	89	

since 1923, at 26,150 bales, compared with 27,802 bales in April. Rayon shipments amounted to 25,900,000 pounds in the month, 11 per cent above the April level of 23,100,000 pounds.

Construction continued to be among the most active industries during May. Residential building, consisting to a large extent of single-family units, was up one-sixth from April and up more than one-half from a year ago. According to F. W. Dodge figures, total May awards in 37 States declined to $308,000,000 from $330,000,000 in April, due principally to a decline in contracts for public projects. In the week ended June 17, heavy engineering construction awards were off 35 per cent from the previous week.

Employment and payrolls showed the usual seasonal decline during May. Gains were made in firearms, tools and cutlery, and airplane industries, but these were wiped out by the losses shown in reports from railroad repair shops, business machine manufacturers, hardware producers, and agricultural implement manufacturers. Seasonal reductions also continued at clothing and millinery establishments. Average weekly earnings of factory workers (NICB) were $26.27 in April, as compared with $26.25 in March.

Little change in the general level of wholesale prices has been shown since

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Mar. 1939	Apr. 1939	May 1939	June 1939
I	76.7	76.5	76.1	75.7
II	77.0	75.9	76.4	75.6
III	76.7	75.8	75.9	
IV	76.6	76.0	75.8	
V		76.1		

April. The trend was slightly upward during May, reflecting the end of the downward movement in industrial production and the further reduction in inventories of many manufacturers and distributors. During the first part of June, prices were off somewhat from the high levels reached in May, as the volume of trading in staple markets slowed. Prices received by farmers were about the same in mid-June as in May, approximately 90 per cent of the pre-war average, as compared with 89 per cent in April and 92 per cent in May 1938.

Since prices paid by farmers for commodities have been unchanged since December, the purchasing power of the farm population showed some improvement in the month. In retail markets, this was reflected by advances in mail-order sales and in daily average sales of general merchandise in small towns and rural areas. The index of rural sales advanced 3 points from April to May, and showed a gain of 16 per cent over the low level existing a year ago.

Farm income increased seasonally from April to May, and at about $510,000,000 approximated the level for May 1938. Crop prospects were rather poor during most of the month, as hot, dry weather prevailed in many sections of the country. The threatened drought, however, was relieved considerably by rains in the last week of May and in

Industrial Stock Prices

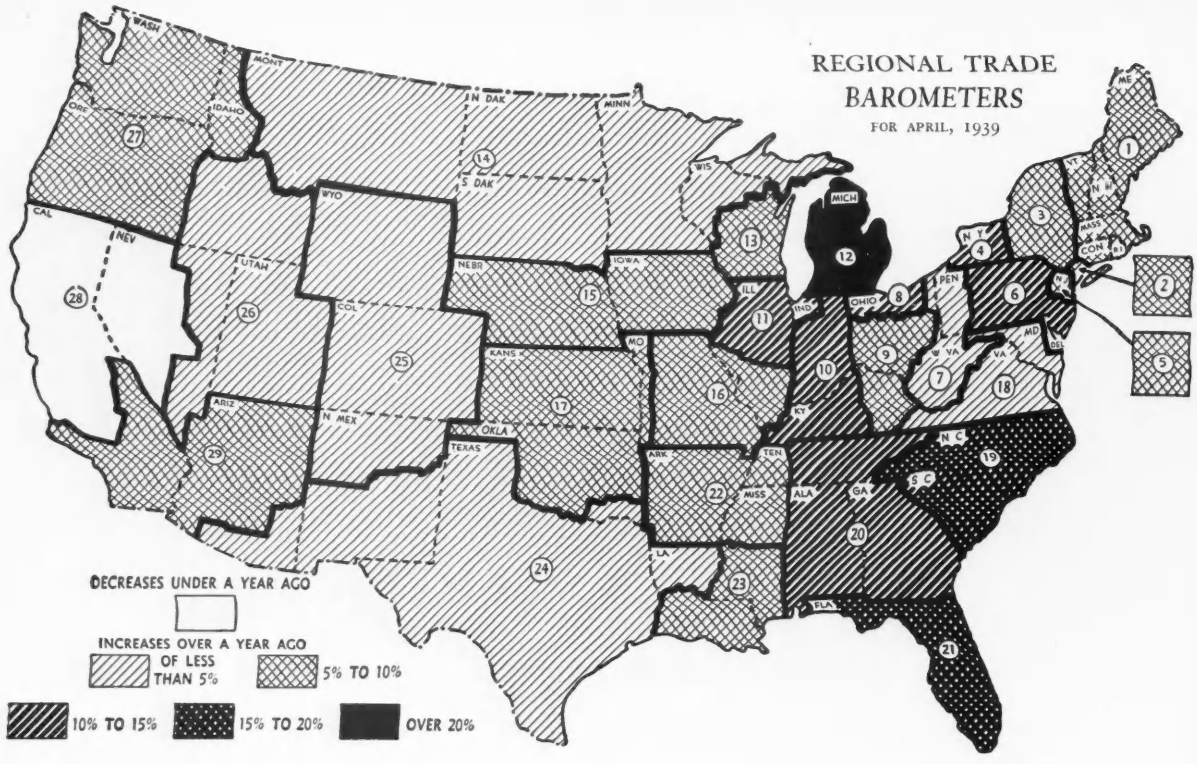
Dow-Jones Index (Weekly Average)

Week	Mar. 1939	Apr. 1939	May 1939	June 1939
I	147.71	136.93	130.75	137.21
II	150.84	128.03	132.61	138.81
III	147.11	126.21	130.27	136.54
IV	141.32	127.57	134.61	
V		128.31		

June. Great Plains areas reported particularly adverse conditions. The wheat crop was expected to be below average and substantially smaller than a year ago.

Retail trade as a whole held up fairly well in May, despite a drop in the FRB adjusted index of department store sales from 88 in April to 85. Chain store sales also declined on a seasonally adjusted basis. Other measures of retail activity, such as automobile sales and bank debits, advanced considerably, and trade as a whole showed substantial gains from the totals for May of last year.

The financial picture for May was somewhat less clouded than it had been in some recent months. Although the volume of shares traded on the New York Stock Exchange at 12,935,210 shares was the lowest for any month since September 1934, prices of industrials, public utilities, and rails all showed gains over May 1938. For the five months ended May 31, turnover was 123,104,000 shares, compared with 92,797,143 shares in the similar period of 1938 and 212,421,734 in 1937. Capital flotations were much higher in May than in April, due principally to refunding issues; new capital flotations amounted to $116,623,000, against $142,621,000 in April.



MAY INDEX ABOVE APRIL LEVEL

The United States Trade Barometer rose to 84.1 (preliminary) in May from 83.1 (estimated) in April. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

SEASONAL FACTORS, the weather in particular, proved more unfavorable to trade volume during the early part of June than during May. In the first week of June, milder temperatures and rain appeared to have little adverse effect on trade activity, but when the inauspicious weather conditions continued to prevail, shopping activity became generally slower. The greatest effect was felt in apparel divisions, as purchases of Father's Day gifts and graduation presents added some stimulus to buying activity. Retail volume on the whole, however, was estimated to be 7 to 14 per cent higher than during the same period last year.

Wholesale markets made a better showing than retail during the first June weeks. Reorders of Summer goods, as well as improved sentiment leading to an increase in future commitments, contributed to the generally more healthy situation.

In May, both wholesale and retail volumes made net advances over April. The preliminary United States Trade Barometer showed a gain of 1 point or 1.2 per cent over the April level, and exceeded last year's comparative figure by 12.3 per cent. Summer heat brought forth shoppers in pursuit of lightweight wearing apparel, while accessories, straw hats, and sportswear, travelling accessories and Summer housefurnishings also reflected increased demand, as did garden hardware and automobile equipment.

The seasonal buying spurt in May led in many instances to a depletion of stocks, with the result that wholesalers were kept busy replenishing Summer supplies. A slightly improved attitude toward forward buying was also noted, although actual orders for future delivery were still somewhat sparse.

Prior to the gains in trade evidenced in May, however, a slight setback had occurred, according to the Regional

Trade Barometers. The May figure, while it showed an increase over the April level, failed to equal the index of 86.3 for March. The United States Barometer for April was 3.2 points below March, and the May index had regained only 1 point of the decline.

Month-to-month gains and losses were rather unevenly distributed among the twenty-nine regions during April, with the losses being generally larger and more numerous than the gains. Eleven regions showed increases over March, ranging from 0.1 per cent in Portland and Seattle to 6.7 per cent in Indianapolis and Louisville. Sixteen regions showed decreases, ranging from 0.1 per cent in Iowa and Nebraska to 7.6 per cent in San Francisco. Two regions—North and South Carolina, and Buffalo and Rochester—showed no change from the March level.

All of the regions except one continued to report increases over the year-ago level. Only San Francisco, with a minus 7 per cent, was below last year. Detroit again showed the largest increase, 25.2 per cent, and two regions, North and South Carolina and Florida, reported gains of more than 15 per cent over 1938.

THE MAP AND CHART compare the April, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 34-37. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for April based on samples of department and retail stores reporting to the Federal Reserve banks; for May and for the first half of June based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.

REGIONAL TRADE BAROMETERS

REGION	April 1939 Regional Index	April 1939 Compared with April 1398 (%)	Retail 1935 Sales %
		−10 0 +10 +20 +30	
U. S.	83.1	+ 8.3	100.0
1. NEW ENGLAND	76.7	+ 8.9	7.8
2. NEW YORK CITY	71.2	+ 5.3	10.3
3. ALBANY AND SYRACUSE	85.0	+ 7.7	2.6
4. BUFFALO AND ROCHESTER	75.8	+10.8	1.9
5. NORTHERN NEW JERSEY	75.1	+ 8.2	2.9
6. PHILADELPHIA	76.7	+11.2	6.2
7. PITTSBURGH	76.8	+ 3.4	3.7
8. CLEVELAND	83.6	+11.3	2.9
9. CINCINNATI AND COLUMBUS	87.8	+ 6.4	3.1
10. INDIANAPOLIS AND LOUISVILLE	98.4	+10.6	2.6
11. CHICAGO	86.6	+13.2	6.4
12. DETROIT	79.4	+25.2	4.0
13. MILWAUKEE	90.2	+ 5.4	2.2
14. MINNEAPOLIS AND ST. PAUL	93.3	+ 2.0	4.5
15. IOWA AND NEBRASKA	76.1	+ 6.6	3.0
16. ST. LOUIS	84.2	+ 9.5	2.5
17. KANSAS CITY	86.1	+ 5.1	3.6
18. MARYLAND AND VIRGINIA	99.2	+ 3.9	3.8
19. NORTH AND SOUTH CAROLINA	98.8	+15.2	2.1
20. ATLANTA AND BIRMINGHAM	103.3	+11.1	3.5
21. FLORIDA	110.1	+16.9	1.3
22. MEMPHIS	89.7	+ 9.8	1.5
23. NEW ORLEANS	95.9	+ 9.5	1.0
24. TEXAS	104.9	+ 4.6	4.5
25. DENVER	97.0	+ 4.8	1.3
26. SALT LAKE CITY	88.8	+ 5.2	.8
27. PORTLAND AND SEATTLE	84.9	+ 8.8	2.7
28. SAN FRANCISCO	75.9	− 7.4	3.4
29. LOS ANGELES	86.5	+ 5.0	3.9

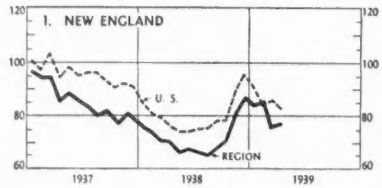
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the March, 1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.

1. New England

APR., 76.7 MAR., 76.1 APR. 1938, 70.4

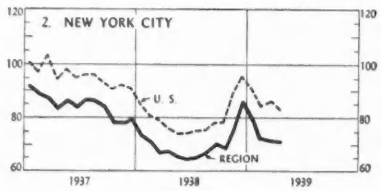
APRIL—Percentage department store sales decreases from previous April: Bangor 6, Manchester 10, Burlington–Providence 8, Boston–New Haven 4. MAY—Percentage retail trade changes from previous May: Bangor +8, Portland–Manchester 0, Boston +7, New Bedford —2, Springfield —8, Worcester —5, Providence–New Haven +3, Hartford +10. Wholesale trade changes: Portland +5, Boston +3, Springfield —10. Garden crops delayed by cold weather. Production and payrolls steady to above last year. Shoe and tool manufacturing holding up well. Textile manufacturing curtailed. Salvage of timber felled by hurricane proceeding rapidly. Collections fair. JUNE—Retail sales 6 to 10% above last year.



2. New York City

APR., 71.2 MAR., 72.1 APR. 1938, 67.6

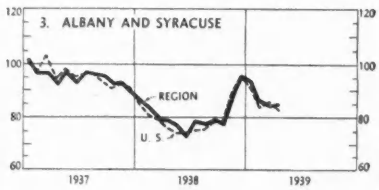
APRIL—Percentage department store sales decreases from previous April: New York City–Westchester–Stamford 7, Bridgeport 2. MAY—Percentage retail trade changes from previous May: Brideport —10, New York City department store sales 00, parcel deliveries +5, hotel sales +3. Employment off 2% from April; payrolls down 1%. Increases in metals and machinery activity offset by large seasonal reductions at clothing shops. Shoe industry showed net gain. Bank clearings up 9% from a year ago in New York City, up 13% in Westchester County. Collections fair, about even with last year. JUNE—Men's clothing firms report 25% gain in retail sales. World's Fair visitors increasing trade.



3. Albany and Syracuse

APR., 85.0 MAR., 84.4 APR. 1938, 78.9

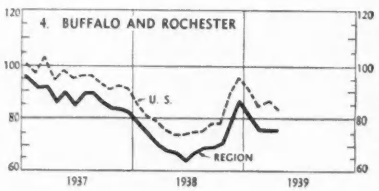
APRIL—Percentage department store sales changes from previous April: Syracuse +1, Northern State —13, Central State —2. MAY—Percentage retail trade increases over previous May: Albany 0, Binghamton 8, Utica 6, Syracuse 15. Wholesale trade changes: Albany 0, Syracuse +17. Belated Spring delayed crops; now showing steady growth. Dairy industry unsettled. Pastures in good condition. Payrolls and production above last year's levels. Manufacturing of vacation goods ahead of 1938 comparative. Heavy industries steady. Shoe industry active. Machinery and household appliance volume good. Collections fair to good. JUNE—Wearing apparel moved in improved volume with advent of warm weather. Other lines about same.



4. Buffalo and Rochester

APR., 75.8 MAR., 75.3 APR. 1938, 68.4

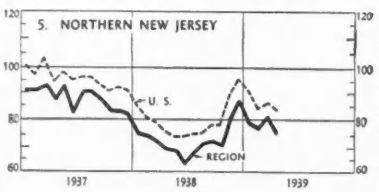
APRIL—Percentage department store sales changes from previous April: Buffalo —3, Rochester +6, Niagara Falls +3. MAY—Percentage retail trade changes from previous May: Buffalo +5, Jamestown 0, Rochester +2. Buffalo wholesale trade up 5% from May 1938. Farm income improved, above last year's level. Rochester photographic equipment, machine tool and clothing industries active. Payrolls and production steady to above last year. Collections steady to good in comparison with April; steady with a year ago. JUNE—Retail sales surged upward with higher temperatures to a level 5% above last year. Pig iron production rose to 57% of capacity. Building activity strengthened. Factory payrolls steady.



5. Northern New Jersey

APR., 75.1 MAR., 81.2 APR. 1938, 69.4

APRIL—Northern New Jersey department store sales 4% below previous April. MAY—Newark retail volume up 17% from previous May and 6% from April. Wholesale trade up 5% in comparison with a year ago, up 10% in month. Bank clearings down 3% in Newark, down 6% in Northern New Jersey. Production, employment, and payrolls steady with a year ago and steady with previous month. Sales above last year and above the April level. Collections better than a year ago in wholesale and manufacturing divisions, steady in retail. Retail collections on par with March. JUNE—Retail sales show gain of 7 to 13 per cent over the corresponding period of last year.

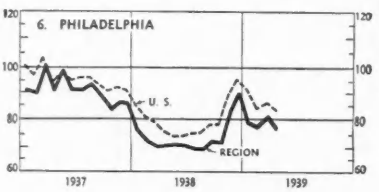


6. Philadelphia

APR., 76.7 MAR., 80.6 APR. 1938, 69.0*

APRIL—Percentage department store sales changes from previous April: Trenton–Scranton 0, Philadelphia +5, Harrisburg —6, Wilmington —2. MAY—Percentage retail trade changes from previous May: Trenton +9, Allentown +18, Philadelphia +16, Reading +7, Scranton +2, Williamsport–York +5, Harrisburg —5, Wilmington +8. Philadelphia wholesale trade up 6% from last May. Berry yield rather small but prices favorable. Anthracite mines operating steadily. Production and payrolls about even with last year. Coal producers awaiting State regulatory legislation. Collections slow. JUNE—Promotional sales met with good response. Retail sales up 13 to 15%. Wholesalers orders increased.

* Revised.



7. Pittsburgh

APR., 76.8 MAR., 81.9 APR. 1938, 74.3

APRIL—Percentage department store sales decreases from previous April: Pittsburgh–West Virginia State 5, Wheeling 14. MAY—Percentage retail trade changes from previous May: Erie–Pittsburgh +3, Youngstown +10, Huntington —10, Charleston +15. Wholesale trade changes: Erie–Charleston +8, Pittsburgh 0. Payrolls and production steady to above a year ago. Coal mining resumed; originating shipments rose considerably. Steel production averaged 38% of capacity, against 45% in April. Glass manufacturing eased off. Collections fair to slow. JUNE—Retail volume close to year-ago level. Wholesale distribution spotty. Steel and coal operations advanced. Building volume continued to increase.

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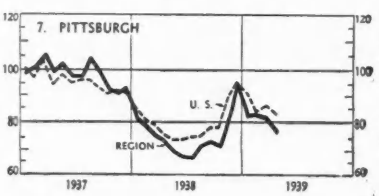
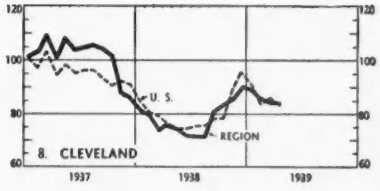


8. Cleveland

APR., 83.6 MAR., 84.7 APR. 1938, 75.1

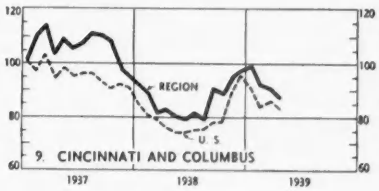
April—Percentage department store sales changes from previous April: Cleveland —1, Akron +11, Toledo +9. May—Percentage retail trade changes from previous May: Cleveland +6, Akron +22, Canton —10, Lima —5, Toledo +9. Wholesale trade increases: Cleveland 4, Akron 8, Toledo 7. Crops retarded by lack of rain. Payrolls and production vary, above to below last year. Seasonal decline in rubber manufacturing. Iron and steel, chemical, and automotive industries showed decreased employment; other industries held up satisfactorily. Textile industry active. Collections spotty. June—Department store sales about 13% above 1938. Building activity well above last year.



9. Cincinnati and Columbus

APR., 87.8 MAR., 90.7 APR. 1938, 82.5

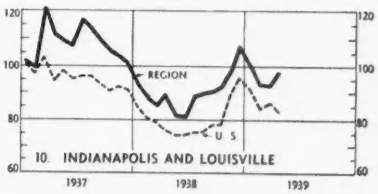
April—Percentage department store sales increases over previous April: Cincinnati 0, Dayton 32, Columbus 1. May—Percentage retail trade increases over previous May: Cincinnati 5, Dayton 6, Springfield 3, Columbus 12, Zanesville–Lexington 10. Wholesale trade changes: Cincinnati 0, Columbus —10. Crops hampered by dry weather. Apple crop off 75% due to blossom blight. Poultry and egg prices low. Dairy production and prices steady. Wool being marketed; price 7 cents above last year. Production and payrolls steady to below a year ago. Pottery industries curtailed production seasonally. Building industry active. Collections fair. June—Department store sales up about 10% from June 1938. Wholesale trade also gained.



10. Indianapolis and Louisville

APR., 98.4 MAR., 92.2 APR. 1938, 89.0

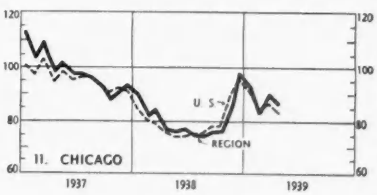
April—Percentage department store sales changes from previous April: Louisville–Fort Wayne —2, Indianapolis +8. May—Percentage retail trade changes from previous May: Louisville–Fort Wayne +15, Evansville —5, Indianapolis +9, Fort Wayne +15. Wholesale trade increases: Louisville 15, Indianapolis 12. Rain during latter part of month helped crops; prospects favorable. Production and payrolls steady with a year ago and with the previous month. Volume of farm implement manufacturing about 25% below May 1938. Collections fair to good. June—Retail sales 10 to 12% above corresponding period of last year. Wholesale volume up 15% from a year ago. No particular industrial change noted.



11. Chicago

APR., 86.6 MAR., 89.5 APR. 1938, 76.5

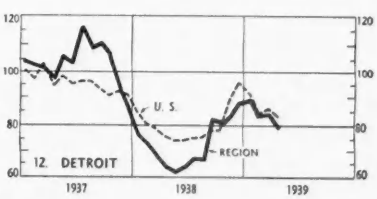
April—Percentage department store sales decreases from previous April: Chicago 1, Peoria 6. May—Percentage retail trade changes from previous May: Chicago–Peoria +5, Rockford —15, South Bend +10. Chicago wholesale trade still 4% above last year's level. Early rains helped crops. Farm prices firm. Hay prospects good. Corn planting just finished. Payrolls and production vary in comparison with a year ago. Machine tool industry operating about 60% of normal. Furniture manufacturing slow. Automobile and aviation companies increased activity. Strike at sewing machine plant. Collections vary. June—Seasonable upturn in both retail and wholesale trade. Good demand for apparel and housefurnishings.



12. Detroit

APR., 79.4 MAR., 83.3 APR. 1938, 63.4

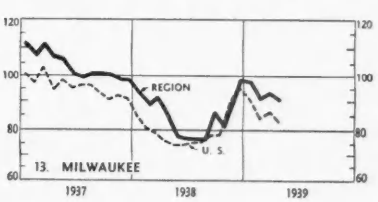
April—Detroit department store sales up 11% from previous April. May—Percentage retail trade increases over previous May: Detroit 12, Grand Rapids–Saginaw 10. Detroit–Grand Rapids wholesale trade up 10% from a year ago. Crops good, finding ready market; prices low. Payrolls and production steady to above last year. Automobile production sharply reduced because of strike. Furniture manufacturing on par with a year ago. Employment about 15% ahead of 1938 and about even with April totals. Collections steady to good in comparison with a year ago, steady since April. June—Retail volume about 10% above the 1938 comparative. Apparel and vacation goods moving well.



13. Milwaukee

APR., 90.2 MAR., 92.8 APR. 1938, 85.6

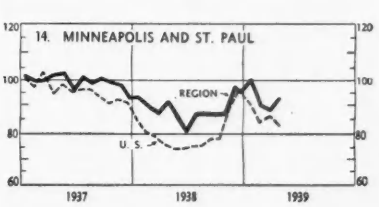
April—Milwaukee department store sales 1% above previous April. May—Percentage retail trade increases over previous May: Milwaukee 3, Green Bay 6. No particular change in volume of Milwaukee wholesale trade. Dairy production good; prices low. Growing season late, because of cold and dryness. Cannery acreage reduced. Production and payrolls steady to above last year. Heavy goods industries made best showing. Paper mills operating normally six days a week; comfortable backlog of orders. Strike at machinery plant. Collections steady. June—Retail sales off somewhat, but still 5% above a year ago. Shoe manufacturing above last year's level. Manufacturers of control equipment starting new line.



14. Minneapolis and St. Paul

APR., 93.3 MAR., 87.8 APR. 1938, 91.5

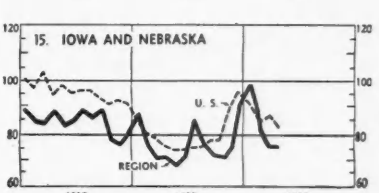
April—Minneapolis–St. Paul–Duluth–Superior department store sales about even with previous April. May—Percentage retail trade changes from previous May: Minneapolis +6, St. Paul —1, La Crosse +15, Fargo–Great Falls —5, Sioux Falls —3, Billings +12, Butte —10. Wholesale trade changes: Duluth 0, Minneapolis +2, Great Falls —10. Moisture since middle of month improved corn prospects. Small grain seriously damaged by prolonged drought. Grasshoppers beginning to be troublesome. Payrolls and production generally steady to below last year. Flour, linseed products, and agricultural implement sales about even with year ago. June—Retail sales about 2% above same period last year.



15. Iowa and Nebraska

APR., 76.1 MAR., 76.2 APR. 1938, 71.4

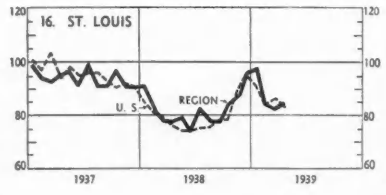
April—Omaha department store sales 4% below previous April. May—Percentage retail trade changes from previous May: Burlington–Waterloo–Des Moines +5, Cedar Rapids +4, Davenport–Omaha 0, Dubuque —10, Sioux City +8, Lincoln —4. Wholesale trade changes: Sioux City +6, Des Moines +5, Omaha —4. Rain since middle of month improved wheat prospects. General farm outlook fair. Corn planting about completed. Payrolls and production vary in comparison with year ago. Meat packing and dairy industries improved. Sash and door mill closed because of labor trouble. Heavy machinery manufacturing improved. Home building active. Collections fair. June—Retail trade up 5% from last year's comparative level.



16. St. Louis

APR., 84.2 MAR., 82.3 APR. 1938, 76.9

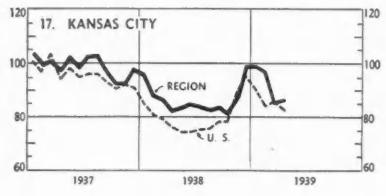
APRIL—Percentage department store sales changes from previous April: St. Louis 0, Springfield (Mo.) —11, Quincy +8. MAY—Percentage retail trade changes from previous May: Springfield (Mo.) +8, Springfield (Ill.) —13, Quincy +4; St. Louis trade up from last year, but showed smaller gain than in April. Winter wheat in good condition; now being harvested. Farm prices low. Excessive rainfall in some sections harmful to crops. Payrolls and production vary in comparison with last year. Drug, chemical, and dry goods sales showed good comparison with a year ago. Airplane production near capacity. Collections fair to good. JUNE—Department store sales 8 to 12% above the same period of 1938.



17. Kansas City

APR., 86.1 MAR., 85.9 APR. 1938, 81.9

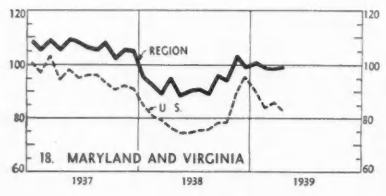
APRIL—Percentage department store sales changes from previous April: Kansas City 0, Wichita —7, Oklahoma City +2, Tulsa —2. MAY—Percentage retail trade changes from previous May: Kansas City +7, St. Joseph —3, Topeka 0, Wichita +5, Oklahoma City–Tulsa +3. Kansas City–Oklahoma City wholesale trade up 2% from the corresponding period last year. Wheat crop looks reasonably good. Recent rains saved fruit crop and helped early corn. Payrolls and production generally steady with last year. Oil activity low. Aircraft business increased. Milling up 10% from a year ago. Collections fair to slow. JUNE—Not much change in retail and wholesale business. Some wheat lost through hailstorms.



18. Maryland and Virginia

APR., 99.2 MAR., 98.5 APR. 1938, 95.5

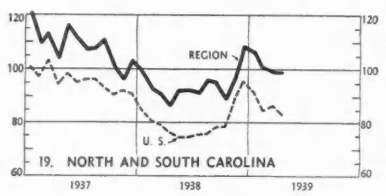
APRIL—Percentage department store sales decreases from previous April: Baltimore 11, Washington–Richmond 6, Virginia State 5. MAY—Percentage retail trade increases over previous May: Baltimore–Richmond 3, Washington 12, Norfolk 5, Lynchburg 10, Bristol 0; Roanoke trade down 5%. Baltimore–Norfolk–Richmond wholesale trade up 2% from a year ago. Crops in good shape; rain relieved drought. Peach crop damaged by frost. Payrolls and production steady to above last year. Shoe orders increased 10% over previous May. Hosiery manufacturing on par with 1938. Cigarette production increased, following adjustment of labor dispute. Lynchburg textile mill closed. JUNE—Department store sales 3 to 4% above last year. Steel output expanded.



19. North and South Carolina

APR., 98.8 MAR., 98.8 APR. 1938, 85.8

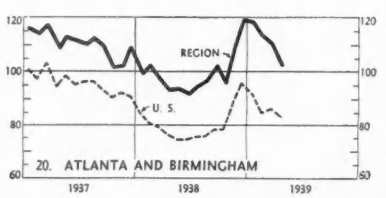
APRIL—Percentage department store sales increases over previous April: North Carolina 4, South Carolina 16. MAY—Percentage retail trade changes from previous May: Asheville —3, Winston-Salem +5, Charlotte +3, Raleigh 0, Wilmington —5, Charleston +10, Columbia +18, Greenville +13. Percentage wholesale trade changes: Wilmington 0, Charleston +6, Winston-Salem +7. South Carolina potato yield reached peak; prices above last year. Tomato and cucumber shipments begun. Payrolls and production steady to above last year. Fertilizer dealers reported better season than in 1938. Hosiery mills on 3-day week. Collections fair. JUNE—Retail trade about 5% below last year. Building active.



20. Atlanta and Birmingham

APR., 103.3* MAR., 110.5* APR. 1938, 93.0

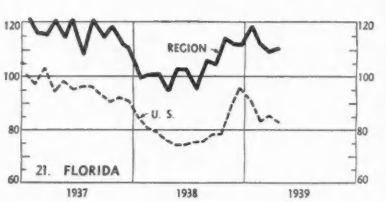
APRIL—Percentage department store sales changes from previous April: Atlanta–Montgomery +5. Birmingham–Nashville +4, Chattanooga —11. MAY—Percentage retail trade increases over previous May: Atlanta–Macon 12, Augusta–Knoxville 0, Columbus–Savannah–Birmingham 5, Montgomery 25, Chattanooga 9, Nashville 10. Wholesale trade increases: Atlanta 8, Birmingham 5, Nashville 2. Cotton delayed by cool weather and poor stands. Fruit crop normal; grains good. Payrolls and production vary in comparison with last year. Industry affected by coal strike. Building materials active. Textile industry good. Collections fair. JUNE—Retail trade volume 10 to 20% above last year. Peach shipments far below 1938. Mining improved. * Estimated.



21. Florida

APR., 110.1 MAR., 109.2 APR. 1938, 94.2

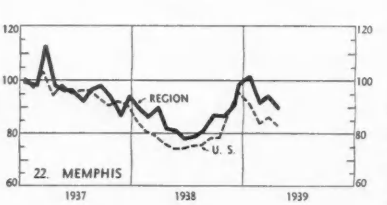
APRIL—Department store sales up 5% from previous April. MAY—Percentage retail trade increases over previous May: Jacksonville–Miami 5, Tampa 12. Wholesale trade increases: Jacksonville 3, Tampa 18. Citrus shipments continue fairly heavy; prices unchanged. Vegetable shipments declining; prices falling off. Payrolls and production steady with corresponding period of last year. Saw mills fairly active, cutting timber to cover current demand. Naval stores steady. Cigar production 5,000,000 units below last May. Canning operations expanded. Collections fair. JUNE—Retail sales show little change from May or from a year ago. Watermelon season starting. Vegetable shipments continue to decline.



22. Memphis

APR., 89.7* MAR., 93.9* APR. 1938, 81.7

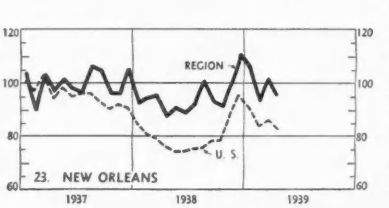
APRIL—Percentage department store sales increases over previous April: Memphis 4, Fort Smith 1, Little Rock 2. MAY—Percentage retail trade changes from previous May: Memphis —5, Fort Smith 0, Little Rock +3. Memphis wholesale trade up 5% from a year ago. Oats crop good; prices satisfactory. Excessive rains hindered cotton prospects; local damages large. Payrolls and production steady to above last year. Lumber and cotton industries showed greatest improvement. Production and sales of furniture up about 3% from a year ago. Collections fair to good. JUNE—Department store sales showed increases of 6 to 30% over a year ago. Furniture manufacturing reported up 40% from 1938 level. * Estimated.



23. New Orleans

APR., 95.9 MAR., 102.4 APR. 1938, 87.6

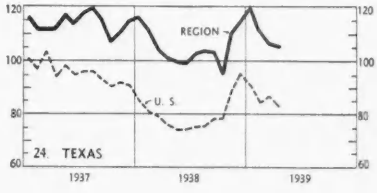
APRIL—New Orleans department store sales up 2% from previous April level. MAY—Percentage retail trade changes from previous May: New Orleans +8, Jackson —3, Meridian +9. New Orleans wholesale trade up 8% from May 1938. Continued rains damaged cotton, vegetable, and tobacco crops materially. Tomato and cabbage crops good; prices low. Payrolls and production steady to below last year. Crude oil production and refining continued on about the same level as in recent months. Meridian shirt factory closed. Collections steady with a year ago and steady since April. JUNE—Better shopping weather improved retail sales; volume about 25% above last June. Wholesale dry goods and notions sales also up.



24. Texas

APR., 104.9 MAR., 106.5 APR. 1938, 100.3

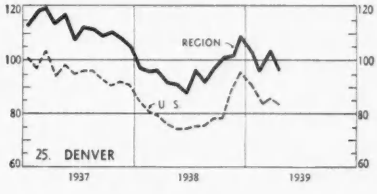
APRIL—Percentage department store sales changes from previous April: Dallas 0, Fort Worth +1, Houston–San Antonio —2. MAY—Percentage retail trade changes from previous May: Dallas–Fort Worth +10, Amarillo–Lubbock 0, Wichita Falls —20, El Paso–Austin —5, Houston–Waco +2, Galveston–Shreveport —10, Beaumont +8, San Antonio +1. Wholesale trade changes: Dallas–San Antonio +10, Houston +3, Fort Worth +12, Shreveport —10. Wheat crop smaller than a year ago due to dry weather in some sections. Cotton prospects good. Tomato crop now moving in Rio Grande Valley. Payrolls and production steady to above last year. Oil industry slow; lumber active. Collections fair. JUNE—Department store sales 1 to 25% above 1938.



25. Denver

APR., 97.0 MAR., 102.7 APR. 1938, 92.6

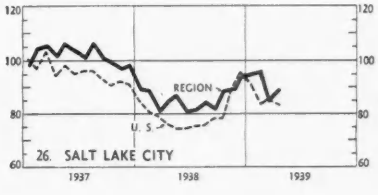
APRIL—Denver department store sales 5% below previous April. MAY—Denver–Albuquerque retail trade up 5% from previous May. Denver wholesale trade showed gain of 3% over the year-ago level. Crop prospects good; moisture sufficient; prices steady. Payrolls and production steady with last year, steady to up since April. Mills active; orders sufficient to insure good volume of production. Saw mills signed wage agreement with union; labor troubles at low ebb. Collections steady with the corresponding period of last year; steady to slow in comparison with April. JUNE—Retail trade up to seasonal expectations, about 4% above last year. Wholesale trade continues at about 3% above a year ago.



26. Salt Lake City

APR., 88.8 MAR., 84.6 APR. 1938, 84.4

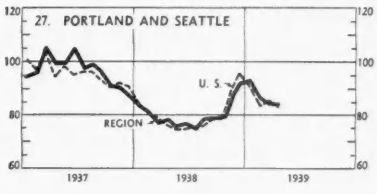
APRIL—Salt Lake City department store sales 12% below previous April. MAY—Salt Lake City retail trade up 5% from the corresponding period a year ago; wholesale trade also showed 5% gain; sales of radios and household appliances slower. Food sales about even with a year ago. Lumber and building materials sales showing increase of about 20% over April. Crop and range conditions good. Payrolls and production steady with April, above a year ago. Metal mining improved somewhat as two mines reopened. Collections slow in comparison with previous month and in comparison with previous year. JUNE—Wholesale volume 1 to 10% below last year. Radio and equipment sales slightly below 1938.



27. Portland and Seattle

APR., 84.9 MAR., 84.8 APR. 1938, 78.0

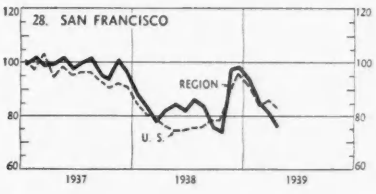
APRIL—Percentage department store sales changes from previous April: Seattle–Spokane–Portland —1, Tacoma +4. MAY—Percentage retail trade changes from previous May: Seattle +10, Tacoma +5, Spokane–Portland —1. Wholesale trade changes: Seattle —9, Portland +10. Strawberries being marketed in Puyallup Valley; prices low. Outlook for wheat crop good. Cherry crop light. Livestock feeding poor due to drought. Payrolls and production steady to above last year. Salmon industry hampered by labor disputes. Furniture manufacturing above last year's level. Lumber output also up, but market unsteady. Collections fair to slow. JUNE—Rains helped farm prospects. Retail trade slightly above last year.



28. San Francisco

APR., 75.9 MAR., 82.1* APR. 1938, 82.0

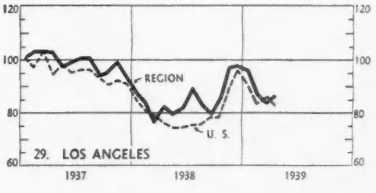
APRIL—Percentage department store sales decreases from previous April: San Francisco 9, Oakland 2. MAY—Percentage retail trade changes from previous May: San Francisco +3, Sacramento–Fresno 0: Oakland retail trade up slightly from a year ago. San Francisco wholesale trade showed 3% decline from 1938. Lemon and apple prices low. Grain crop 60% of normal. Wine and brandy industries overstocked. Payrolls and production vary in comparison with last year. Heavy industries rather slow. Home building still active. Canning of asparagus and spinach about equal to last year. World's Fair visitors increasing. Collections fair. JUNE—Retail trade spotty. Wholesale buying shows little change. *Revised.



29. Los Angeles

APR., 86.5 MAR., 82.8 APR. 1938, 82.4

APRIL—Percentage department store sales decreases from previous April: Los Angeles 3, Phoenix 6. MAY—Percentage retail trade changes from previous May: Los Angeles —2, San Diego +4, Phoenix 0. Los Angeles wholesale trade about even with a year ago. Early turkey crop going on market at good price. Orange crop in good condition. Prices of small vegetables low. Payrolls and production generally above last year. Airplane factories have good backlog of orders. Tuna packing improving. Aviation, building, oil refining, and motion picture activity all above last year. Collections fair. JUNE—Retail buying somewhat slower, below last year's level. Industry steady. Building active.



HARVESTING WHEAT IN OREGON—CATERPILLAR TRACTOR PHOTO

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities *			Total Liabilities *			Dun's Insolvency Index † Unadjusted			Dun's Insolvency Index † Adjusted ‡		
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar.	1,123	1,167	861	17,915	40,325	22,591	18,228	80,373	78,878	61.7	64.8	47.1	61.1	64.2	47.1
Apr.	1,140	1,172	818	17,492	21,147	12,893	20,750	29,355	13,628	62.6	65.1	48.3	60.8	63.2	47.4
May	1,122	1,123	875	14,757	19,139	13,088	19,594	19,831	14,965	59.3	59.8	47.6	58.7	59.2	47.6
June	....	1,073	703	....	15,918	12,829	....	16,892	16,737	...	64.1	41.1	...	67.5	43.3
July	....	1,038	651	....	14,761	12,780	....	15,008	13,955	...	57.2	37.9	...	64.3	42.1
Aug.	....	1,015	736	....	16,382	14,950	....	17,252	19,473	...	53.8	39.7	...	63.3	46.7
Sept.	....	866	584	....	14,341	9,818	....	15,183	11,308	...	51.6	35.2	...	61.4	41.9
Oct.	....	997	815	....	13,219	14,079	....	16,960	15,381	...	54.7	45.2	...	59.4	49.1
Nov.	....	984	842	....	12,302	16,400	....	17,281	17,709	...	53.9	52.7	...	51.8	51.2
Dec.	....	875	1,009	....	36,528	27,818	....	54,736	36,963	...	56.7	58.0	...	56.1	58.0
Total	....	12,836	9,490	....	246,505	183,253	....	335,534	276,876	...	61.1	45.9	...	...	...

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

VERY SLIGHT DIP IN MAY FAILURES

IN each of the last three months, the number of commercial and industrial failures reported has remained practically unchanged. In May there were 1,122 failures, 1,140 in April, and 1,123 in March. During this period current liabilities declined 18 per cent, or from $17,915,000 in March to $14,757,000 in May.

When the failure data are "refined" in the preparation of the insolvency index, it is apparent that during the last two months failures have declined slightly from the high point reached in March. This refinement takes into consideration the varying number of days in the respective months, the slightly increasing number of concerns in business, and the usual seasonal change. The adjusted index has varied as follows: 54.3 in February, 61.1 in March, 60.8 in April, and 58.7 in May.

May failures were identical in number with those reported a year ago. Although failures were appreciably lower in the early months of this year than in the similar portion of 1938, the May levels were the same. The amount of money involved in the current debts of the failing concerns was lower by some $5,000,000, although total liabilities, which include funded debt, were about the same, approximately $19,000,000.

May changes in the failure record are likely to be slight, the seasonal allowance being a decline in the index of only 2 per cent from April. Within the industry groups no decided May trends have developed since 1934. Whatever changes occur are as likely to be in one direction as in the other, except that possibly there is a tendency for construction failures to increase in May.

Currently, manufacturing failures dropped 6 per cent, retail trade failures 3 per cent, and commercial service failures 4 per cent. Wholesale failures remained unchanged and construction failures rose 29 per cent. Within the manufacturing total, textile failures increased 50 per cent to the highest number since June, 1938. Most of the increase was among manufacturers of women's clothing and accessories, and hosiery.

Wholesale failures in clothing and furnishing lines were also up in May. Balancing the increase in these lines and also in drug lines were declines in most of the other wholesale groups. There were no outstanding changes in the number of failures reported in the various retail lines. The increase in construction failures over those of both last month and a year ago was in relatively small sub-contractors such as painters and plumbers.

The following table compares current failures with those of May, 1938:

Industry Group	May 1939	May 1938	Per Cent Change
Manufacturing	206	217	— 5
Wholesale Trade	136	109	+25
Retail Trade	670	690	— 3
Construction	66	60	+10
Commercial Service	44	47	— 5
Total	1,122	1,123	0

Although manufacturing failures as a whole were 5 per cent below those of a year ago, three of the eleven most important manufacturing lines reported

increased failures; foods, textiles, and forest products. Failures in practically every wholesale line were above those of a year ago. Thus far in 1939, wholesale failures have been higher than in the first five months of any year since 1933. In retail trade only failures of drug stores and restaurants were above those of a year ago.

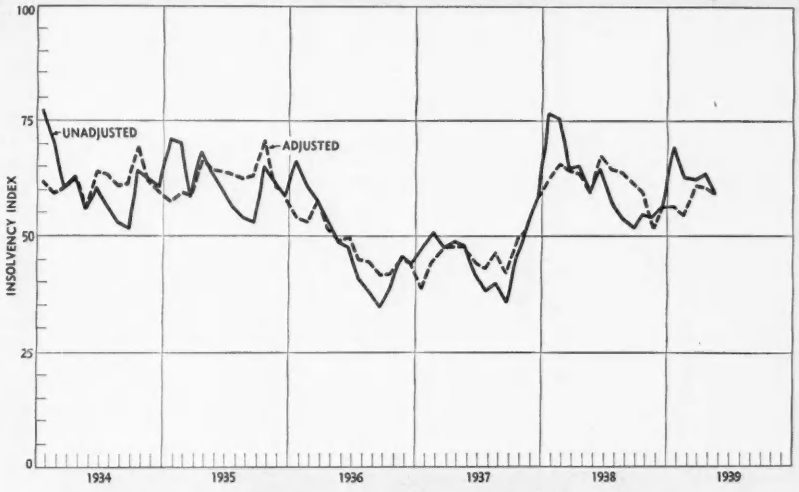
For the third consecutive month, the very small failures exceeded in number those with liabilities between $5,000 and $25,000. In May, this was true only in the retail, service, and construction groups. The normal relationship may soon be reestablished, for in May the number of small failures decreased while the failures in the next size group increased slightly. The drop in the very small failures took place principally in the retail and commercial service lines.

Comparison with the May, 1938, record shows that only the very small failures are now more numerous than a year ago. According to the usual relationships between failures by industry and by size, one might have expected that the excess of small failures would be mainly in retail trade, but on the contrary one finds that the very small failures exceed those of a year ago in each of the five main industry groups.

Size of Liabilities	May 1939	May 1938	Per Cent Change
Under $5,000	514	418	+23
$5,000–$25,000	474	533	−11
$25,000–$100,000	111	137	−19
$100,000–$1,000,000	20	35	−34
$1,000,000 and over	3	0	
Total	1,122	1,123	0

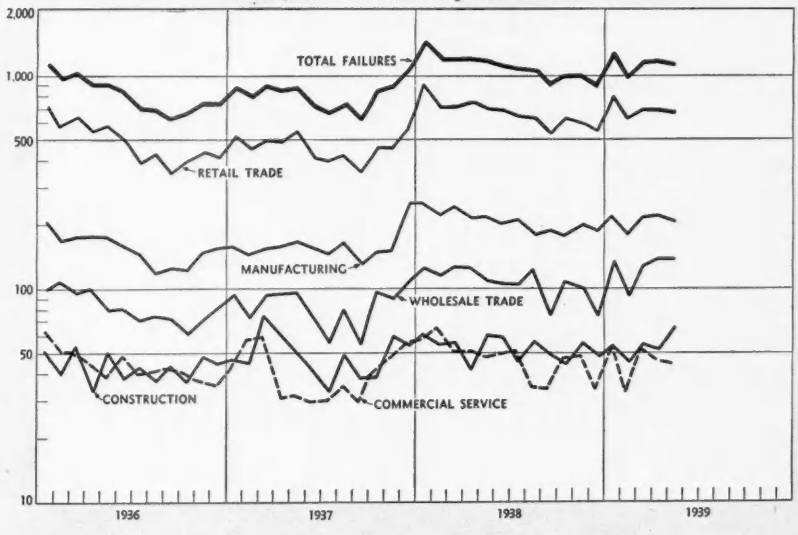
Large failures with liabilities in excess of $100,000, which dropped from 35 to 23, were less numerous in all industry groups. However, the 1939 total contained three with liabilities of $1,000,000 or more. Ten out of the 23 large concerns were attempting reorganization under Chapter X of the amended National Bankruptcy Act. The balance was made up of 4 voluntary bankruptcies, 3 involuntary bankruptcies, 2 assignments, 2 arrangements, 1 composition, and 1 receivership. In

MONTHLY TREND OF THE INSOLVENCY INDEX



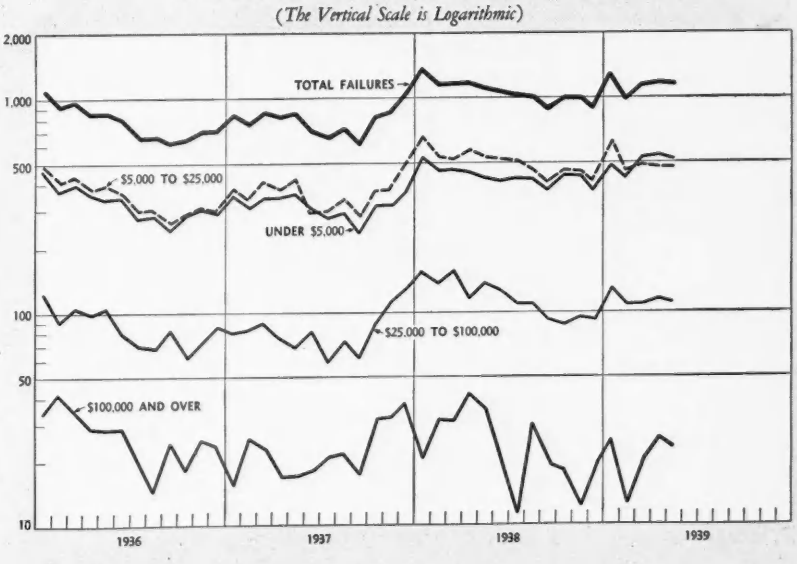
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



addition to the large failures there were 4 smaller concerns utilizing Chapter X.

It is difficult to find a clear geographical pattern of May failures. They were down by similar proportions in the Cleveland, Chicago, Atlanta, Richmond, and Dallas Federal Reserve Districts, more sharply down in the St. Louis district, practically unchanged in the New York and Boston districts, and up in the Philadelphia, Kansas City, Minneapolis, and San Francisco districts.

Some of the districts have developed definite failure trends since the beginning of the year. For instance, in the Southern districts of Atlanta, Richmond, and Dallas, failures have followed a general, though not uninterrupted, downward trend. The high level of failures in these districts at the beginning of the year, however, causes the cumulative totals to be in excess of last year's, as the following table shows. In the Philadelphia and Kansas City districts the trend has tended upward. In the other sections monthly ups and downs have left the general level little changed.

Federal Reserve District	Jan.-May 1939	Jan.-May 1938	Per Cent Change
St. Louis	169	240	— 30
Boston	442	569	— 22
New York	1,546	1,755	— 12
Cleveland	396	445	— 11
San Francisco	591	660	— 10
Chicago	881	931	— 5
Minneapolis	105	104	+ 1
Kansas City	287	265	+ 8
Atlanta	319	288	+ 11
Richmond	295	260	+ 13
Philadelphia	419	353	+ 19
Dallas	161	118	+ 36
Total	5,611	5,988	— 7

In May the number of failures in the 25 largest cities exceeded the number in the balance of the country for the first time since the division of failures in 1934 into these two categories. The proportion of city failures has been increasing steadily since last August. From 41 per cent at that time it reached 52 per cent in May. Not all of the 25 cities experienced increased failures in May, however, for 11 reported fewer than in April. Failures in 14 of the cities were lower than in May, 1938.

Failures by Divisions of Industry—May, 1939 and 1938

(Liabilities in thousands of dollars)

	Number			Current Liabilities		
	May 1939	April 1939	May 1938	May 1939	April 1939	May 1938
Total United States	1,122	1,140	1,123	14,757	17,492	19,139
Manufacturing (total)	206	219	217	4,893	8,294	6,860
Foods	56	62	39	1,852	1,444	717
Textiles	60	41	50	813	1,024	1,382
Forest Products	21	18	15	525	340	464
Paper, Printing and Publishing	11	13	19	407	666	328
Chemicals and Drugs	6	6	12	109	100	222
Fuels	1	11	4	100	1,164	155
Leather and Leather Products	5	9	11	28	1,837	480
Stone, Clay, Glass and Products	8	1	10	212	8	416
Iron and Steel	10	12	15	316	363	573
Machinery	9	17	7	281	565	668
Transportation Equipment	4	2	5	44	388	510
All Other	15	27	30	206	395	945
Wholesale Trade (total)	136	136	109	1,952	2,393	2,447
Farm Products, Foods, Groceries	51	52	35	981	876	697
Clothing and Furnishings	17	10	7	114	97	122
Dry Goods and Textiles	3	4	3	74	36	38
Lumber, Building Materials, Hardware	10	11	7	238	412	103
Chemicals and Drugs	6	1	3	24	2	52
Fuels	4	5	6	110	180	214
Automotive Products	9	6	6	50	146	87
Supply Houses	6	12	11	28	100	148
All Other	30	35	31	333	544	986
Retail Trade (total)	670	688	690	5,878	5,566	7,879
Foods	172	189	177	1,120	1,096	1,255
Farm Supplies, General Stores	20	31	18	90	273	183
General Merchandise	43	37	36	532	423	344
Apparel	139	134	170	1,362	795	2,164
Furniture, Household Furnishings	54	61	68	577	586	805
Lumber, Building Materials, Hardware	30	29	36	315	536	491
Automotive Products	55	50	67	683	538	1,378
Restaurants	66	70	48	454	443	495
Drugs	49	41	32	304	369	333
All Other	42	46	38	441	507	431
Construction (total)	66	51	60	1,158	744	757
General Contractors	3	2	5	26	32	87
Carpenters and Builders	19	14	21	639	171	350
Building Sub-contractors	42	31	34	479	379	320
Other Contractors	2	4	..	14	162	..
Commercial Service (total)	44	46	47	876	495	1,196
Cleaners and Dyers, Tailors	12	11	14	336	113	142
Haulage, Buses, Taxis, etc.	9	9	10	93	119	534
Hotels	1	2	3	1	65	76
Laundries	4	8	6	263	83	218
Undertakers	4	7	4	19	56	81
All Other	14	9	10	164	59	145

Canadian Failures

Canadian failures declined from 94 in April with liabilities of $900,000 to 89 in May with liabilities of $822,000. Failures numbered 93 in May, 1938, with liabilities of $1,035,000. The decline was principally in the Province of Quebec, with failures in most of the Western Provinces increasing.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	May 1939	May 1938	Change P. Ct.	April 1939	Change P. Ct.
New England	$7,787,525	$4,931,014	+ 57.9	$4,684,888	+ 66.2
Middle Atlantic	28,696,870	21,550,076	+ 33.2	25,146,730	+ 14.1
South Atlantic	13,020,633	8,152,127	+ 59.7	10,598,931	+ 22.9
East Central	19,847,771	14,760,033	+ 34.5	17,381,483	+ 14.2
South Central	12,442,440	7,602,989	+ 63.7	11,052,293	+ 12.6
West Central	7,500,511	3,872,401	+ 93.7	6,846,934	+ 9.6
Mountain	2,807,001	2,251,093	+ 24.7	2,849,180	— 1.5
Pacific	19,404,879	14,486,736	+ 34.0	16,707,802	+ 16.1
Total U. S.	$111,507,630	$77,606,469	+ 43.7	$95,268,241	+ 17.0
New York	$15,886,184	$13,977,101	+ 13.7	$18,690,979	— 15.0
Outside New York	$95,621,446	$63,629,368	+ 50.3	$76,577,262	+ 24.9

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	24,995	22,822	29,412	925.7	845.3	1,089.3
April	21,798	21,667	26,086	871.9	833.4	1,003.3
May	22,188	20,169	23,951	853.4	806.8	958.0
June	.....	23,959	25,903	....	921.5	996.3
July	.....	21,624	26,015	....	865.0	1,000.6
August	.....	19,716	22,260	....	730.2	856.2
September	.....	21,733	24,076	....	869.3	963.0
October	.....	24,011	24,668	....	960.4	986.7
November	.....	21,637	21,796	..	940.7	947.6
December	.....	27,697	25,805	....	1,065.3	992.5
Total	.....	264,417	300,918	....	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	May 1939	May 1938	Change P. Ct.	April 1939
Boston	$900,339	$805,178	+ 11.8	$1,066,508
Philadelphia	1,633,000	1,443,000	+ 13.2	1,494,000
Buffalo	132,580	128,435	+ 3.2	135,094
Pittsburgh	465,181	437,648	+ 6.3	450,349
Cleveland	400,634	370,202	+ 8.2	378,855
Cincinnati	240,284	227,547	+ 5.6	233,244
Baltimore	285,155	257,223	+ 10.9	274,055
Richmond	154,180	137,681	+ 12.0	147,893
Atlanta	250,200	203,400	+ 23.0	240,500
New Orleans	160,390	140,673	+ 14.0	150,484
Chicago	1,283,397	1,150,061	+ 11.6	1,195,761
Detroit	400,566	325,090	+ 23.2	396,846
St. Louis	372,572	339,321	+ 9.8	348,321
Louisville	142,180	120,934	+ 17.6	133,677
Minneapolis	295,316	255,921	+ 15.4	259,340
Kansas City	381,422	338,338	+ 12.7	349,433
Omaha	129,244	118,318	+ 9.2	116,473
Dallas	215,497	185,827	+ 16.0	208,809
San Francisco	590,470	557,097	+ 6.0	571,313
Portland, Ore.	128,360	112,692	+ 13.9	123,145
Seattle	147,351	131,162	+ 12.3	140,990
Total 21 Cities	$8,708,318	$7,785,748	+ 11.8	$8,415,090
New York	$13,480,020	$12,383,151	+ 8.9	$13,382,998
Total 22 Cities	$22,188,338	$20,168,899	+ 10.0	$21,798,088

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
June 20	$2.18	$2.40	$2.81	$2.65
June 13	2.19	2.37	2.82	2.62
June 6	2.21	2.36	2.83	2.60
May 30	2.25	2.34	2.85	2.54
May 23	2.25	2.35	2.85	2.55
May 16	2.27	2.35	2.86	2.52
May 9	2.28	2.34	2.84	2.54
May 2	2.27	2.36	2.82	2.58

	High		Low	
1939	$2.34	Mar. 7	$2.18	June 20
1938	$2.53	Jan. 4	$2.34	May 10
1937	$3.01	Mar. 16	$2.56	Dec. 28

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities

(1930-1932 = 100)

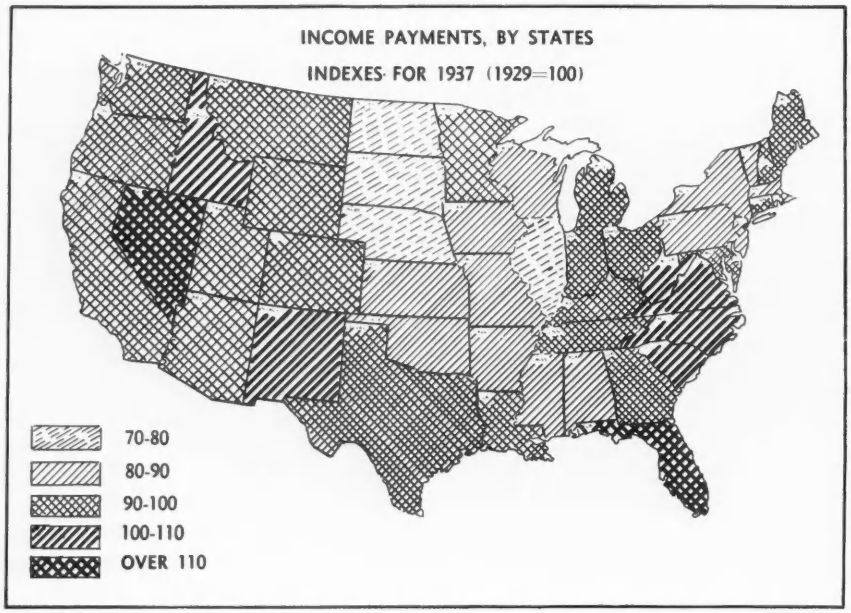
	1939 June	May	April	Mar.
1	107.07	104.77	103.79	106.24
2	106.97	105.02	†	106.21
3	*	105.10	103.91	106.12
4	†	105.44	103.59	106.21
5	106.82	105.82	103.76	†
6	106.62	106.01	103.42	106.47
7	106.83	†	*	106.19
8	106.77	105.99	*	105.94
9	106.75	106.61	†	105.82
10	*	106.70	103.44	105.46
11	†	107.54	103.65	105.30
12	106.36	107.44	103.69	†
13	106.35	107.39	103.17	104.84
14	106.41	†	103.34	104.67
15	106.09	106.61	103.29	104.90
16	106.04	106.64	†	104.64
17	*	106.67	103.47	104.69
18	†	107.03	103.91	104.64
19	105.85	106.89	104.14	†
20	105.38	106.96	104.03	104.76
21	.....	†	104.06	104.89
22	.....	106.64	103.95	104.94
23	.....	106.72	†	104.82
24	.....	107.66	103.71	104.64
25	.....	107.59	103.50	104.79
26	.....	108.02	103.75	†
27	.....	107.71	103.80	104.76
28	.....	†	104.54	104.59
29	.....	107.48	104.50	104.23
30	.....	*	†	104.19
31		107.35		104.06

† Sunday. * Markets closed.

	High		Low	
1939	108.02	May 26	103.17	Apr. 13
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD



INDEXES OF TOTAL INCOME PAYMENTS IN 1937, BY STATES—*1929=100—U. S. Bureau of Foreign and Domestic Commerce—Almost all States reported income payments in 1937 lower than in 1929; Southern and Western areas were exceptions, with incomes well above 100 per cent in some States. States where the shading is darkest are those in which the greatest improvement was made since 1929.*

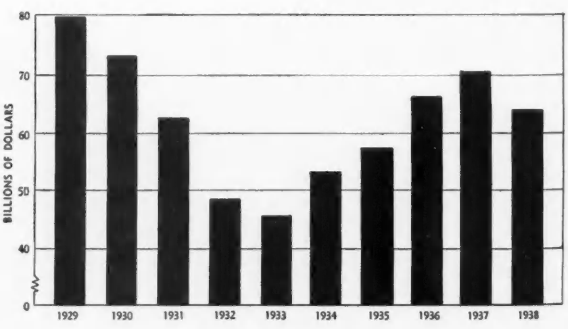
State Income Payments

SEVEN STATES and the District of Columbia reported total income payments in 1937 above the 1929 level, according to the U. S. Bureau of Foreign and Domestic Commerce, whereas totals for the country as a whole were about 12 per cent lower. Increases were recorded in Virginia, North Carolina, South Carolina, Florida, Idaho, New Mexico, and Nevada. The greatest declines in income payments occurred in North Dakota, South Dakota, Nebraska, New York, Oklahoma, and Kansas. In general, the South Atlantic and Mountain States made the best relative showing in comparison with 1929.

Twenty-six States showed noticeable improvement in per capita income in comparison with the national average. Where per capita income for a State declined relative to the national total between 1929 and 1937, the 1929 figure had generally been above that for the United States as a whole. Thus, the study reports, the greatest relative improvement occurred in States where income had been below average in 1929, indicating some tendency toward greater equality of income among all the States.

The most densely populated areas had the highest total incomes. About 17 per cent of the total income payments in the United States in 1937 were made in New York State. Of a total of $70,645,000,000, New York payments amounted to $11,138,000,000, Pennsylvania to $5,899,000,000, California to $5,153,000,000, Illinois to $5,063,000,000, and Ohio to $4,206,000,000. The smallest total was Vermont's $171,000,000.

Wages and salaries accounted for 59.8 per cent of total income payments in the United States in 1937, as compared with 63.6 per cent in 1929. Other labor income and relief payments amounted to 5.5 per cent of the total in 1937, against 1.2 per cent in 1929. Entrepreneurial withdrawals were $12,343,000,000 in 1937, against $13,330,000,000 in 1929, but they made up 17.5 per cent of the national income in 1937, as compared with 16.7 per cent in 1929. Dividends, interest, net rents, and royalties totalled about the same amount in 1937 as in 1931, approximately $12,000,000,000.

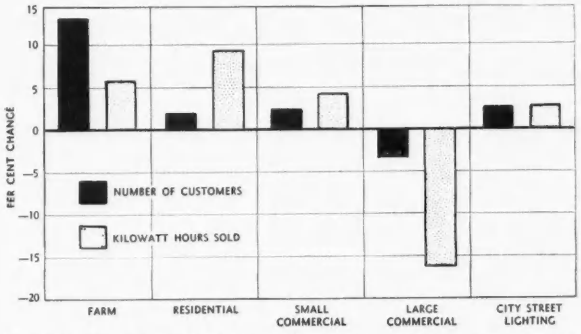


NATIONAL INCOME PAYMENTS—*1929-1938—U. S. Department of Commerce—The national income declined from 1929 to 1933, then rose until 1937; the estimated income for 1938 was somewhat below the 1937 figure.*

Per capita figures showed that incomes of 21 States were above the national average of $547 in 1937. Payments per person in the District of Columbia, however, more than doubled this figure, while in Delaware, Nevada, New York, California, Connecticut, Rhode Island, Massachusetts, Michigan, and Illinois incomes were relatively high. The smallest per capita average, $207, was in Mississippi. Four of the highest States—Delaware, Nevada, New York, and California—reported per capita incomes in 1937 more than 50 per cent above the national per capita average. At the other extreme, Mississippi, Arkansas, Alabama, and South Carolina showed incomes of less than half the average level for the United States as a whole.

Electricity

TOTAL SALES of electric power to ultimate consumers in 1938 showed a 5.6 per cent decline from 1937. The decline, however, was limited to very few classes of service, according to a report by the Edison Electric Institute. The chief decrease, reflecting directly the recession in general business activity during the year, was one of 16.1 per cent in



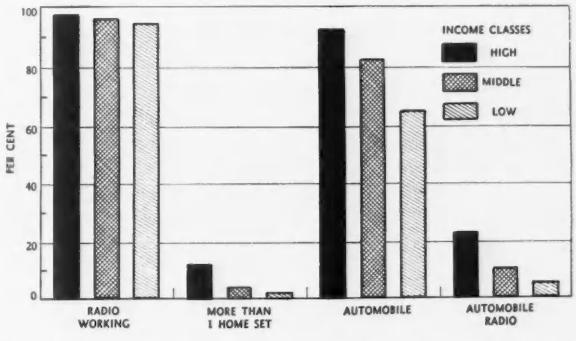
PER CENT CHANGE IN NUMBER OF CUSTOMERS AND KILOWATT-HOURS OF ELECTRICITY SOLD, BY CLASS OF SERVICE—*1937-1938—Edison Electric Institute—Only the large commercial class of consumers used less electricity in 1938 than in 1937; farm consumptions increased the most.*

the use of power by large commercial establishments. This was partially offset by gains in farm, residential, and small commercial consumption.

Declines in the number of kilowatt-hours of electricity sold to street and interurban electric railways, and to municipal and miscellaneous customers also occurred, but any effect on total sales was counteracted by increases in consumption by municipal street lighting and by electrified divisions and steam railroads. Large commercial enterprises consumed 53.8 per cent of the total electric energy sold in 1937, and 47.8 per cent in 1938.

The year-to-year reduction in revenue from ultimate customers was only 0.6 per cent. The large difference between the percentage decline in the amount of electricity sold and the revenue received therefrom was accounted for mainly by the fact that the number of non-industrial customers increased during the year. Revenue from farm consumption showed a gain of 11.8 per cent against a decline of 5.1 per cent in revenue from large commercial users of light and power.

Rural Radio Ownership



OWNERSHIP FACTORS OF RURAL RADIO-OWNING FAMILIES BY INCOME CLASSES—*1938—Columbia Broadcasting System and National Broadcasting Company—The majority of the rural families owning radios reported that their radios were in working order and that they also owned automobiles.*

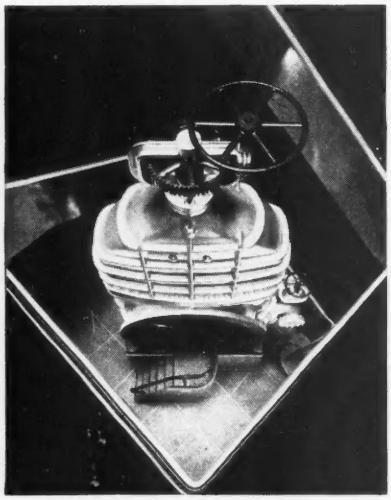
THAT SIXTY-NINE PER CENT of all rural families in the United States own radios was disclosed by a Joint Committee report conducted under the sponsorship of the Columbia Broadcasting System and the National Broadcasting Company. The percentage varied from 89 per cent of all rural families in the top economic level to 47 per cent in the low, and from 96 per cent in the Pacific States to 51 per cent in the East South Central part of the country. In general, reports from the North and the Far West revealed a larger percentage of radio-owning rural families than the South.

Of all the radios, about 96.6 per cent were in working order at the time of the survey. The average rural radio family had possessed a radio for about seven years, although radios had been prevalent in New England for about ten, and in the South for only about six years. More families in the New England and Pacific areas possessed more than one home set than in any other part of the country. In New England, however, only 77.2 per cent of the radio families also had automobiles, while 95.6 per cent of those along the Pacific Coast had cars. In general, the percentage of rural radio families which had radios in their automobiles was relatively low, averaging about 13 per cent.

The hours of daily use of the rural radio showed little variation among economic groups or among geographic areas. On Sundays, however, the average number of hours of listening was substantially lower for all classes and territories than on week-days. Over 50 per cent of all the families had their radios in operation between 6:00 and 10:00 P.M. The least popular time for listening was between 3:00 and 6:00 P.M.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS



WAITING—*In the Chicago Museum of Science and Industry this giant canal lock valve awaits novel dedication.*

Valve—Among little known principles of priceless value you can list the humble valve. What Archimedes did for the lever and fulcrum, when he offered to move the world with a crowbar, is about to be done for valves.

An unique ceremony has been planned to honor them this Fall. Every water tap, fire hydrant, and carbureter should gurgle with liquid joy, while every valve in the hearts of Crane Company officials, who manufacture valves, will work double time during the ceremony.

Crane Company, of Chicago, Ill., will be particularly happy because the apparatus which represents all valves, from humblest spigot to titanic sluice gate, is a 17-ton, 72-inch product of their plant. Its dedication will take place at the Museum of Science and Industry, Jackson Park, Chicago, where the guest of honor is already enthroned, glistening with aluminum and red paint.

The only thing holding the ceremony up is that the Crane Company needs some water to put through the valve. Ordinary water, of which there is a lakeful nearby, has been rejected, a special cocktail being needed for such a big occasion. Consequently, the company is having its offices collect water for an international liquor. They already have a sample, 23 per cent salt, from Great Salt Lake, and were expecting a draught any day from the Charleston, S. C., Water Works, said to be the oldest water works in this country.

There will also be the liquid Southern accent of Savannah River water; gold washed water from a stream at the Homestake Mines in the Black Hills; the trout loving water of New Jersey's Musconetcong; Roosevelt, Bonneville, and Norris dam waters; heavy water from the University of Chicago; with a ripple or so from the Arctic Ocean, the Yukon, the Gulf of Alaska and the Bering Sea.

So far there is one water which is noticeable for its absence from the list. The Hassayampa River of Arizona, which is noted as a liquid equivalent of the Blarney Stone, is absent.

Plastics—Even to a local resident hardened to New York World's Fair publicity, the following headline had virtue. It appeared in a plastics magazine ad for machines of Baldwin-Southwark Corporation, Philadelphia, Pa., to say, "Only The Best Deserve The Fair."

Shocker—If you are shocked this month to receive a booklet entitled "You Horse Thief," the Milk Research Council, Inc., of New York, wants you to know it is all in fun. Persons whom the research council considers "group leaders, the quiet intellectual leaders of the public mind," have been chuckling over a series of five such booklets. The council is chuckling too, since number four, a quiz entitled "We Ask You," produced a 13 per cent response, and showed that the 9,000 group leaders have a commendable grasp of favorable milk facts.

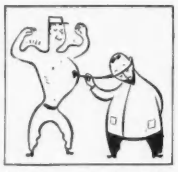
"If a cow doesn't want to give milk, all Wall Street can't make her."

"You Horse Thief" is an attempt to "put the finger" on stockholders. The booklet says in effect that when a company in which anyone owns stock is called unsavory names, the stockholder should call himself just as big a horse thief as the company. To preserve his own self-esteem and reputation, he ought to insist that local newspapers present the known facts as prominently as they headline preliminary charges.

"Where the Milk Dollar Goes."

To make sure that known facts will be known as far as the milk industry is concerned, "You Horse Thief" offers information about the milk and dairy business.

Executive Vice-President Edward Fisher Brown, who is responsible for the Milk Research Council's five booklets, confesses to an uneasy week after each was mailed. "We set out," he says, "to spoof ourselves, a dangerous thing to attempt. Fortunately, milk producers and distributors who form the Council laughed at our caricatures showing what the public thinks of them as 'milk trusts.'"



"Victim of the Milk Trust"

Would you like to know how well informed 9,000 "opinion forming" people are about the milk business? Well, according to Mr. Brown, who shows you actual replies, the average quiz grade was a little less than 80 per cent. To everyone's surprise, people who make their living from milk didn't do as well as strangers.

Horns—Laboratory engineers have a lot of fun playing "rabbit in the hat" tricks with their scientific creations, and Western Electric's microfarad ticklers are no exception. For instance, take the question of how loud is a loudspeaker. They have two answers for that. One is in prosaic terms of decibel measurements, but the other is dramatic enough for anyone to appreciate without knowing sound measurements.

First, as in the old cook's recipe, you get your rabbit, or loudspeaker. Western Electric's is the new "Baby Bull,"

officially designated "the 6030B." Then you get a cigarette lighter which doesn't blow out in a heavy wind. Standing 25 feet from your horn, you snap your lighter into flame, speak into a microphone, and, puff! your voice waves, from the loudspeaker, have extinguished an un-blow-out-able cigarette lighter from 25 feet away while you were holding it.

Another interesting thing about the Baby Bull is the way it controls sound so people beyond an area angling 30 degrees from the mouth of the horn aren't disturbed. However, the main value, according to its manufacturers, is in combining fidelity of musical or vocal reproduction with bull-throated volume for entertainment arenas.

FUNCTIONAL—*Glass block and brick walls, gravity flow production feature Industrial Rayon's Painesville plant.*

Rite-Line—About four years ago, Nugent Dodds, an Assistant United States Attorney-General, found he had to be his own typist. He was making a trip which required copying reports in the evening, and he didn't like the task. Each time he lost his place, his legal ire mounted.

When the trip ended, Assistant Attorney-General Dodds decided to try to solve the problem in his home workshop. There he built a machine which gripped the manuscript right under the line to be copied. When that line was finished, a space bar would be tapped. Two little wheels in the device pressed against the page and rolled it up high enough to disclose the next line, whether single, double, or triple spaced. Mr. Dodds patented the invention and wondered if it would make any headway against competition in the trade.

Evidently it did, for without benefit of salesmen or advertising an order for 5,000 arrived from the United States government. Then Mr. Dodds saw that he had a product other people might want. Someone christened it the Rite-Line Copy Holder. Since then it has been what sales departments call a "sleeper," making headway slowly, without much promotion. Just recently, however, the Rite-Line Corporation of New York City has begun pushing it more aggressively.

Rite-Line weighs about three pounds and occupies, roughly, a space six inches tall, wide and deep. It is portable, adaptable for adding machine tapes, ledger sheets, typewritten pages or, as a support, for stenographic note books with hard or soft covers.

About Mr. Dodds: Perhaps you know of Underwood-Elliott-Fisher's typewriter which makes right hand margins come out even, as they do in a column of printing. Mr. Dodds invented that too.

Goodwill—In April of this year the Universal Postal Union assembled postal officials from 80 political divisions in Buenos Aires, Argentina, for its Eleventh Congress.

For this congress, three companies selling postage metering devices cooperated to issue a large size, twelve-page advertising folder in four languages: Spanish, French, German, and English. Considering that the folder was sponsored by Universal Postal Frankers, Ltd., of England, Canadian Postage Meters & Machines Co., Ltd., and Pitney-Bowes Postage Meter Co., U. S. A., the courtesy of placing Spanish, the host nation's language, first, and English last of all, is unmistakable.

5-Day Week—Recently the New York City Transit Commission made its annual report, telling of a 47 million decrease in passenger traffic during 1938. The drop, according to the Commission and its subject lines, was most noticeable from March 1 to October 31, and on Saturdays.

While the Transit Commissioners were recording the loss of 47 million nickels to utility turnstiles, the Merchants' Association of New York was surveying a small, but blue ribbon sample of metropolitan business, to learn how many of these firms had adopted a five-day week in some form, with the following results:

What per cent of the firms surveyed use the five-day week in some form? 86 per cent.

What per cent of firms using some form of a five-day week apply it to all employees all year? 61 per cent.

What proportion of companies using a five-day week maintain it all year for some employees? 19 per cent.

Firms applying the shorter period to everyone part of the year: 16 per cent. Applying a limited form of five-day week to some employees part of the year: 4 per cent.

STORYTONE—*Vacuum tube powered, 36-inch-high piano, the "Storytone," with extra pedal controlling organ effects, radio and phonograph in seat. The instrument is made by Story & Clark Piano Co., Grand Haven, Mich.*

TRADE FAIRS

For executives seeking new products—new profits . . . here are scoops to keep you ahead of your competition. Once again, the eyes of alert American business executives and merchandise managers are turning toward the semi-annual Leipzig Trade Fairs.

The Fall Fairs of 1939 will be held in Leipzig, Germany, from August 27th to 31st. In the General Merchandise Divisions, some 6,000 exhibitors from 25 countries will display every conceivable line for the department store, the specialized store and the gift shop. The exhibits include both finished and semi-finished goods.

Indications are that 150,000 business men from 72 countries will attend these Fairs. Most of them will be repeating former visits. They *know* that the international Leipzig Trade Fairs represent the one sure source of new ideas and new profits.

We invite you to write on your business or professional letterhead for Booklet No. 19. Tell us the lines in which you are interested; let us show you exactly how and why you can expect to profit by a trip to the Fall Fairs.

Leipzig Trade Fair, Inc., 10 East 40th Street, New York.

Where Tomorrow's Merchandise Successes are on View Today

WRITE FOR THIS BOOK

FOR 700 YEARS THE WORLD'S MARKET PLACE

PLATINUM

(Continued from page 28)

holes, through which a viscous cellulose solution may be forced—these metals are help-meets in the new rayon industry. Manufacture of long fiber-glass wool, a recent development in the glass industry, has been made possible by the use of these same feeder dies.

Although the United States is by far the world's largest consumer of platinum metals, only a negligible part of its present requirements of refined new metals is derived from domestic sources. In 1937, (the latest year for which detailed figures are available) only 16,744 ounces of platinum and allied metals were so recovered—6,042 ounces from Alaska, California, and Oregon, 10,578 ounces from gold and copper ores as a by-product of refining, and 124 ounces from platinum-bearing ore. World production of the platinum metals in 1937 was approximately 440,000 ounces.

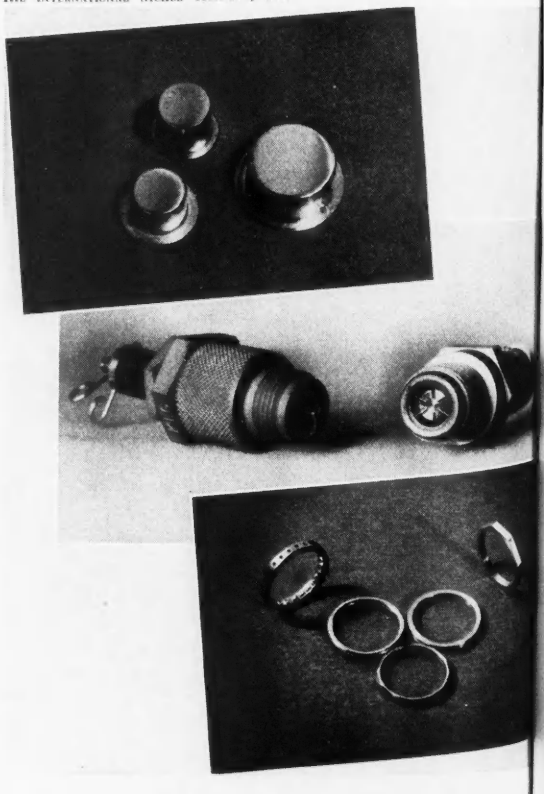
Despite its small output, the United States occupies a prominent position in the international platinum trade. In 1937, for example, 45,258 ounces of new platinum metals and 72,206 ounces of secondary (from waste and scrap) platinum metals were recovered by domestic refiners. Valued at $7,418,364—206,923 ounces of unmanufactured platinum metals were imported for consumption here. Of this total, 157,554 ounces came from the United Kingdom of Great Britain and 24,095 ounces from Colombia. 62,441 ounces of platinum metals (mostly unmanufactured) were exported.

The bulk of the new platinum metals recovered by refiners in the United States is derived from crude platinum from foreign sources, notably Colombia. Most of the imported refined new platinum metals now consumed in the United States come from the United Kingdom, recovered in nickel-copper ore mined in the Sudbury district of Ontario, Canada, and, to a smaller extent, from concentrates from the Union of South Africa

It now seems incredible that crude platinum sold for as little as 34 cents an ounce early in the nineteenth century. The average price of one troy ounce of refined platinum in New York, which was $12.34 in 1897, followed an upward trend in subsequent years, although annual increments were relatively moderate. Then war demands and scarcity shot the price up to an all-time high of $154 in January of 1920. It was in the post-war years that the American public was attracted to platinum, and jewelry turned pale.

Platinum held a lofty perch in the limelight of the boom years of the 1920's (table II). But, like practically all commodities, it toppled. The descent, to say the least, was precipitous and in February, 1933 the price tag read $24 an ounce. New finds scattered throughout the world, particularly those in Canada, have made more diffi-

THE INTERNATIONAL NICKEL COMPANY, INC.



Platinum finds application in spinneret cups, central electrodes of spark plugs, and, of course, wedding rings.

cult the ever-present problems in the adjustment of supply and demand.

In recent years, the trend of consumption of the platinum metals has generally been upward, but production and stocks in the hands of refiners have been more than sufficient to take care of the increasing demand. Although recurring rumblings of war resulted in large sales of platinum metals and this, together with some speculative buying, drove the price of platinum at New York to almost $70 in September, 1936, the average price for that year was but $43. This average price rose to about $52 in 1937, but again fell to an average of $36 in 1938. For the first five months of this year the price has held close to $35.

Twice as rare as platinum, palladium, the second in importance of the group, is subject of course to less demand and is less costly. Throughout 1938, the price of palladium at New York held firm at $24 an ounce. Herein lies a principal reason for the steady and substantial increase in the use of this metal in dentistry which consumed 40,214 ounces, or 58 per cent of the total, in 1937.

Prices of osmium and ruthenium have shown relatively little fluctuation during the five years, 1934-1938. The price per troy ounce of osmium at New York in 1938 ranged from $48 to $55 an ounce, while ruthenium varied between $34 and $40. On the other hand, iridium jumped from $52 in June, 1936, to about $162 in September of that year. This rise, which probably reflected war demands, gave way to an almost equally abrupt decline and, while iridium opened 1937 at $125-$150, it closed that year at $90 and at the end of 1938 was $65. Due to the demand for rhodium in electroplating and in alloys, the price of this metal increased from $50-$55 in August, 1936, to $120-$125 in March, 1937, where it held for the remainder of that year and throughout 1938.

The platinum metals, though still—as these prices show—they must be called precious, have come down to earth. And fortunately. That modern industry needs them is evident from the fact that in the constant striving for purity and perfection in finished products they are being placed at crucial points. Platinum, with its brothers, has indeed earned its noble rank.

15 YEARS AGO

10 YEARS AGO

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—summarizes the effects of current trends, developments, and legislation upon the management of business enterprises.

—reports authentic information concerning research on business forces and business problems.

—impartially presents the points-of-view of business leaders on controversial and significant business subjects.

—reviews business conditions emphasizing data of basic importance and weighing the significance of various items.

The subscription price of DUN'S REVIEW is $4 a year; $10 for three years. It also goes to each company using the DUN & BRADSTREET services. Service subscribers may obtain additional copies of the magazine at special rates.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING IN FUTURE ISSUES

R. W. JOHNSON (pages 5-7) first entered Johnson & Johnson, manufacturers of surgical dressings, in 1910 and has been an officer since 1918. In that year he became vice-president and general manager; he was elected president in 1932 and chairman of the board of directors just last year.

In 1918 and 1919 Mr. Johnson served on the Borough Council of Highland Park, N. J., and was its mayor from 1920 to 1922. In the following six years he was president of Middlesex General Hospital, in New Brunswick, N. J.

BOTH the preliminary report on taxes paid by business (DUN'S REVIEW, April 1939) and the analysis in this number (pages 8-25) have served to emphasize that a large portion of these tax payments are directly related to volume of sales or amount of payroll and therefore resemble the variable items in the expense ledger. We have seen further that a considerable bloc of tax payments is directly assessed against assets and by common accounting practice is included in expenses.

Both of these facts make it seem at least as logical, and probably more logical, to relate tax payments to the "value of service rendered" by an enterprise rather than to its volume of sales. This "value of service rendered" is, in industrial lines, the "value added by manufacture," and in the case of a distributor the difference between cost of goods and net sales.

A study analyzing tax payments as percentages of just such measures is now in preparation and already serves to show why some distributing trades with narrow margins appear to have small tax bills when the payments are related to their sales volume. In addition this survey, by the DUN & BRADSTREET Research Department, has yielded as a by-product some interesting histories of tax payments over a period of years by selected concerns and industries. In future reports these, too, may be presented, along with a brief and not too complex discussion of the history of taxation in the United States in recent years.

U. & U.

R. W. JOHNSON

Other data already tabulated shows differences in tax payments by States and regions; these will be analyzed for publication next Fall.

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

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Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 38-41)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.

TAX DEFINITIONS

(Continued from page 25)

requirements that no specific tally is practicable. It is a reasonable assumption that contributors also included under this heading license payments on motor vehicles used in the business.

TAX PAYMENTS: Contributors were asked to tell amounts of taxes actually paid during 1938 even though books might be kept on the accrual basis. The figures in table VI (pages 20-21) represent the *minimum* proportion of concerns which paid the several taxes. A contributor able to fill out most of the questionnaire may not have had information at hand regarding his payment of one specific type of tax. For instance, the answers showed specifically that 5 per cent of the wholesalers paid no Social Security tax. The failure of another 4 per cent to make any notation on that line in the questionnaire may or may not mean that they paid no tax. However, many of them apparently filled in the remaining questions on the schedule correctly, and probably would have noted Social Security payments, had there been any. For instance, 25 per cent of the contributors furnished no data regarding property taxes, but many of these same concerns showed, in a space provided on the schedule that they carry on business in rented quarters.

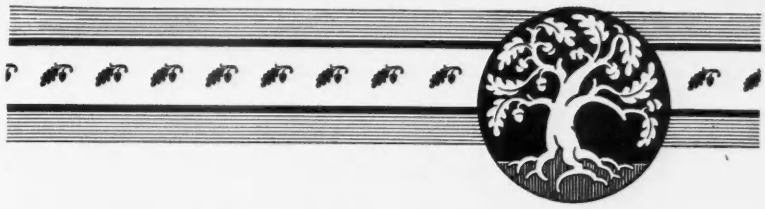
TAX PAYMENT RATIO: The average tax payment ratios shown in table IV are the result of a process designed to avoid inaccurately low figures. Reports of contributors who committed "errors of commission or omission" were discarded, and the omissions were distinctly more numerous. For instance, the return of a concern in a State levying an income tax was disqualified in the income tax tabulation if that line was left blank; but was used if an amount or a definite indication of no tax payment appeared. If it had been assumed that every failure to report indicated a lack of taxable income—and therefore no tax payment, the average State income tax payment ratio would have been smaller. Conversely, the returns of a retailer in a trade and a State having no sales tax was disqualified for the sales tax tabulation if it showed a payment on that line.

For each specific tax except income taxes, and for each trade or industry, the 1938 dollar sales volumes of all qualified returns were totalled in one column and their recorded 1938 dollar tax payments were totalled in another column. This tax total, as a percentage of the sales total from the same returns, is the ratio shown in the tables. The process was the same in the case of income taxes except that 1937 sales were used as a base, as explained above.

MANUFACTURING: The tax payment ratios of any given industry, as listed in the tables are based upon the data furnished by all concerns engaged primarily in manufacturing the commodities described. Thus a reporting corporation may build locomotives and refrigerators as well as automobiles but if the latter line is the primary product the entire sales volume and all tax payments of the corporation are used in our totals for that industry. In this respect the Survey classification differs from the census which would include as "automobile industry" only the building of automobiles, throwing into other industry classes all other products and even subsidiary plants manufacturing automobile parts.

WHOLESALE AND RETAIL TRADE: The same general basis of classification described for manufacturing was applied to wholesale and retail trade in the Survey. But wholesale and retail concerns are engaged only rarely in more than one line of trade.

The Survey covers only full-service and limited-function wholesalers; excludes manufacturers' sales branches, agents, brokers, assemblers, converters, exporters and most types of importers.



THE TRAINING AND EXPERIENCE of the personnel of this organization is partly reflected in the length of service of its officers and employees. The period of service of its directors averages 27 years; that of all employees, over 11 years. One-third of the entire staff has a service record averaging 19 years.

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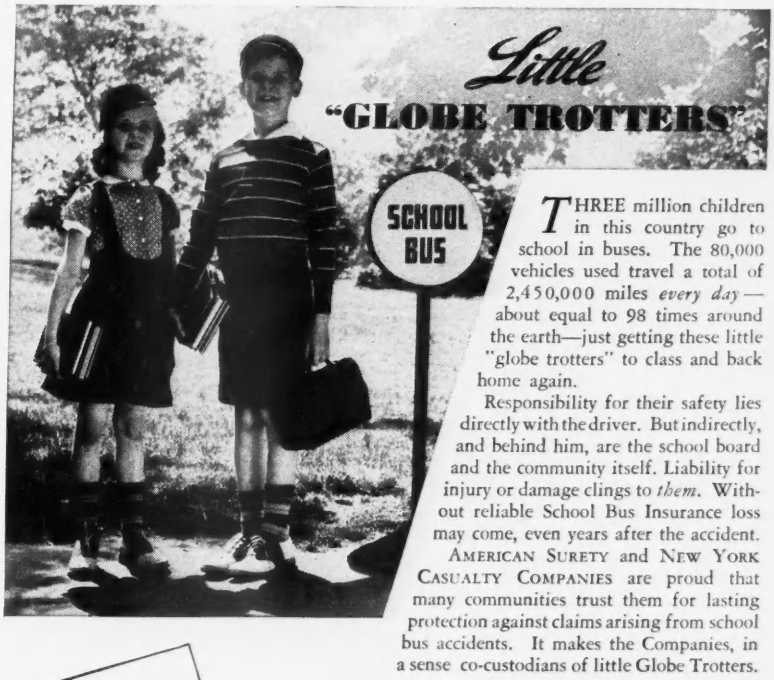

THREE million children in this country go to school in buses. The 80,000 vehicles used travel a total of 2,450,000 miles *every day*—about equal to 98 times around the earth—just getting these little "globe trotters" to class and back home again.

Responsibility for their safety lies directly with the driver. But indirectly, and behind him, are the school board and the community itself. Liability for injury or damage clings to *them*. Without reliable School Bus Insurance loss may come, even years after the accident.

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GALLOWAY

The Power of the Pen

A business man was complaining about questionnaires.

Another said, "Yes, they do take a lot of time but at our place we wish people would ask more questions. The harder they are, the more chance that they will start somebody thinking and we'll get a new idea."

A third added, "That's why our company tells us to write articles for magazines, give speeches, and send memoranda around. I've heard that Bobby Jones said once that writing about golf helped his game."

New ideas are rare. They can be stimulated by other people or by forcing oneself to work through a problem. Perhaps the best way to do the latter is by writing it out. The process of putting ideas down on paper is a healthy check against vagueness and blind spots and often suggests new areas for exploration. Tell a man to "write it out" and either you'll never hear about the idea again or it will come back greatly improved. Thinking is helped by pen testing.

Willard L. Thorp.

EDITOR